

SANTIERUL NAVAL ORSOVA S.A.
ANNUAL REPORT FOR FINANCIAL YEAR 2022

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ŞANTIERUL NAVAL ORŞOVA S.A.

ANNUAL REPORT OF THE BOARD OF DIRECTORS ACCORDING TO LAW NO. 24/2017 AND THE ASF REGULATION NO. 5/2018 concerning the issuers of financial instruments and market operations AND OF THE MFP ORDER NO. 2844/12.12.2016 FOR THE FINANCIAL YEAR CONCLUDED ON 31.12.2022

Date of the Report: 9th of March 2023

- **Name of the trading company:** ŞANTIERUL NAVAL ORŞOVA S.A.;
- **Registered office:** 4, TUFĂRI Street, ORŞOVA, MEHEDINŢI County;
- **Telephone/fax:** 0252/362399 0252/360648;
- **Single registration code issued by the Trade Register:** RO 1614734;
- **Registered number with the Trade Register:** J25/150/03.04.1991;
- **Code LEI:** 254900UXXAJ8TPIKLG79
- **Subscribed and paid capital:** 28.557.297,5 lei
- **Number of shares:** 11.422.919 common shares, each of 2,5 lei;
- **Regulated market where the issued securities are traded:** it is a company whose shares are traded on a regulated market, respectively it is listed in the Bucharest Stock Exchange, symbol: SNO
- **The company is registered with ASF– Securities Record Office – with Certificate no.** 111/02.03.1998, updated on 06.10.2008 further to the increase in share capital as a result of the merger.



1. ANALYSIS OF THE COMPANY'S ACTIVITY

The year 2022 was marked by the geopolitical evolutions caused by the war from Ukraine yet also by the inflation effects from the general economic media. In this context, the company's performance was not so great and the financial results were situated under the designed levels for this year.

1.1. Description of the company's core business

a) Description of the company's core business

The main activity of "Şantierul Naval Orşova" S.A. consists in the construction of river ships (CAEN code rev.2: 3011 "Construction of ships and floating structures"). This activity represented 81,01% of the 2022 turnover, most of the ships being exclusively designed for intra-community supplies.

Although in the previous years, at Agigea Branch, the activity which highly contributed to the turnover consisted in renting the ships, especially barges, during the year 2022, the most significant activity for the branch's turnover was that of repair work of river/marine ships (93,06%). The barges in the patrimony of the branch could not be rented during the year 2022. The branch's turnover has known a significant increase since the previous year, by 90,67% which also caused an increase in its total turnover by 9,76% (from 6,70% during 2021 to 16,46% during 2022).

b) Stipulation of the setup date of Şantierul Naval Orşova SA

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

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

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

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

There were no such events in 2022.

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

d) Description of assets acquisitions and/or sales:

Acquisitions and sales of assets are described in section 5.4 of this report and in the NOTES to the financial statements for 2022, which are attached to this report.

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

1.1.1. General assessment elements for the period under review (year 2022):

- | | |
|---|----------------|
| • total income, out of which: | 59.414.021 lei |
| ▪ Agigea Branch | 9.714.470 lei |
| • total costs | 63.647.724 lei |
| ▪ out of which Agigea Branch | 10.310.299 lei |
| • gross profit, out of which: | 4.233.703 lei |
| ▪ Agigea Branch | 595.829 lei |
| ▪ Orsova headquarters | 3.637.874 lei |
| • market share held: | |
| ▪ the production obtained at the headquarters addresses the market share of intra-community river ships, where the company holds a share of approximately 1 - 2%; | |
| ▪ the rental of ships (barges) through the branch was done during the last part of the year, within the country where the share is approximately 5%; | |
| • as of 31.12.2022, the company's available funds in accounts amounted to 12.337.431 Lei, out of which: | |
| ▪ 3.735.772 lei in the Lei account | |
| ▪ 8.594.763 lei in the foreign currency accounts | |
| ▪ 5.795 lei, petty cash | |
| ▪ 1.101 lei other values, in petty cash | |

The main characteristics of the year 2022, compared with the previous years, could be shortly synthesized by:

- Maintenance of a relatively low demand on the river vessel construction market, on which our company performs activity, even if a price growth was felt for the vessel's sale, that was a consequence of raw materials price increase on one hand and of services, on the other hand. Even under these conditions, the company succeeded in having covered the entire production capacity for the year 2022 and also to preserve an increased level of efficiency to the head-office.
- A decrease in the activity from Agigea Branch in comparison to the previous years was noticed subsequently mainly because of the fact that no solution had been found for the rental of the 5 barges that the company owns at this branch. At the same time it has been noticed a slight increase of the income from the ships' repair activities, income becoming predominant over the branch's turnover yet insufficient to cover the operating costs.
- Our good name which our company has on the shipbuilder market in Europe, highly contributed to obtaining new orders.

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

1.1.2 The assessment of the technical level of the trading company

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

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

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

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

If during the years 2013 and 2014 was carried out the modernization and capacity increase for launching and lifting of Orsova's slipway, and at present there are in progress of completion of the modernization/repairing works for Agigea's slipway, which was started 5 years ago and is about to be completed during the year 2023 (initially this action should have been completed during the year 2019, but this could not have been achieved because of objective reasons with reference to the delayed delivery of the 14 new wedge bogies which should replace the old ones, namely locking the slipway with the second coaster, respectively with the ships brought to repairing).

In the year 2022, for the head-office in Orşova, several welding machines, effective and automate were procured, as well as plasma cutting machine, one compressor and 4 industrial vacuum cleaners, IT equipment, one modular scaffolding. Likewise, the process of repair and modernization of the transport and lifting equipment carried on.

At Agigea branch they proceeded with the repair and modernization of the launching slipway, were purchased one industrial washing equipment, two bogies wedge type and the hydraulic bogies were modernized.

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

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

SANTIERUL NAVAL ORSOVA SA has at its disposal:

- A Quality Manual – revision 4/12.01.2015
- Procedures :
 - Documents control – revision 1/03.03.2011
 - Registration Control – revision 1/27.05.2014
 - Control of non-conform product – revision 2/ 12.01.2018
 - Corrective actions – revision 2/12.01.2015
 - Preventive actions – revision 2/12.01.2015

- Working instructions

- Purchased material/products' acceptance
- Release from storages – revision 1/13.10.2012
- Testing the product provided by the Client – revision 1/13.01.2012
- Maintenance of the equipment– revision 1/08.11.2012

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

- good locations for both the headquarters in Orșova (town situated on the Danube's bank) and the Agigea Branch (Constanța harbor);
- adjustment to the market demands is highly possible, the medium-sized shipyard opens the perspective of business diversity;
- pollution is at normal levels, (pollution does not constitute any disturbing factor);
- range of external deliveries and services is beyond 81% from the turnover;
- personnel structure is balanced and correlated with the requirements of the technological process; we have noticed, though, an increase of medium age of personnel, in parallel;
- endowment with specific fixed assets is to an acceptable level, comparable to other competing shipyards; in this respect and many years ago, the company has started an investment program aimed, on one hand, at increasing the weight of active fixed assets, and on the other hand at replacing obsolete fixed assets with more efficient ones that can lead to enhanced productivity; by means of this strategy, the company intended to ensure increased flexibility and efficiency of fixed assets and bringing them to a technical and technological level that would allow global alignment and building of products that meet the standards required by foreign partners;
- procurement of ships mean the conclusion of direct contract agreements with the shipyards equipping the ship hulls or with European seafarers;
- for shipbuilding, there is a certain stability of intra-community clients (from Netherlands, Belgium, Germany, Austria);

The year 2022 did not bring any major modifications regarding the shipbuilding requests for marine/inland vessels, these being at a medium level, even most recent information from the ship market shows that the present situation will be preserved also during the year 2023, and also during the years to come. This is the reason why we consider that a strategy for future should be realistically analyzed, in order to can find – continuously- prices and financing policies to ensure the continuity of the activity under performance and competitive terms.

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

In the year 2022, there were some major changes in terms of main supply sources of raw materials and materials, yet it was insignificant. As in the previous years, the equipment was mainly bought from domestic ISO certified suppliers according to the European norms and standards. Still, when after analyzing the quality-cost ratio, it turned to be more favorable to the import or intra-community procurement, the company chose that version; we especially refer to the ship plates, stainless steel plates, pipes, profiles. In terms of intra-community acquisitions, we mainly talk about those materials that are not produced in Romania or for which the clients have imposed a certain quality standard; such materials are laminated parts and paints for river/marine ships. Also, according to the handover conditions, the transport of ships to Germany/Netherlands was mainly done on the segment Orsova-Regensburg, and on

the route Regensburg-Rotterdam with non-resident intra-community services providers (CLASSIC CHARTER GMBH – GERMANY, VIGILIA TRADING BV – THE NETHERLANDS) .

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

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

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

Among the external suppliers of materials, the main are the following:

- JULIUS HANDELS GMBH from Austria for profiles and pipes,
- INDUSTRIAL BELGIUM, for stainless steel plates

The subcontracting of certain specific operations carried on also during the year 2022, yet at a more increased level than in the previous years. These collaborations were necessary for the progress of the activity, referring to hull painting, steel construction, hull equipment, hull transport, etc. Among the collaboration companies we are mentioning the most important:

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

1.1.4 Assessment of sales activity

Turnover knows per total a decrease by 22,37 %, from the previous year because of the decrease from the income of the ships' building activity. These incomes have decreased by 21,9% while the income from the ships' repair activity have known an increase – by 148,07% from the year 2021. The turnover was realized, and specially, due to the external deliveries and external services: intra community for the vessel built in Orsova and extra community for incomes resulted from renting the ships and repair of ships, from Agigea Branch.

All 4 vessels finalized and delivered from Orsova in 2022 were scoped to be delivered to the intra-community market.

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

<u>CLIENT / BENEFICIARY</u>	<u>YEAR</u> <u>2020</u>	<u>YEAR</u> <u>2021</u>	<u>YEAR</u> <u>2022</u>
RensenDriessenShipbuilding B.V. (NL)	64,53%	67,76%	77,07%
VEKA Shipbuildng B.V. (NL)	18,32%	17,88%	-
GEFO GESELLSCHAFT FUR OEL Transp. (DE)	-	-	22,93%
Vos Interceptor (NL)	17,15%	-	-
ZanenShipbuilding B.V. (NL)	-	14,02%	-
TEAMCO BV	-	0,34%	-
ASTO B.V.	-	-	-
TOTAL	100%	100%	100%

According to the above-mentioned information, the company Rensen Driessen continued also in 2022 to detain the first position regarding the amount of the deliveries.

The contractual payment terms were ensured either through advance payments from 10% up to 30% and payment of the difference through letter of credits.

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

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

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

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

1.1.5 Assessment of aspects related to employees / company staff

The most important resource of the company is the human resource. During the year 2022, considering the fact that the employees' average age is increased and the structure per age is imbalanced,

the company had to undergo a real risk with regards to the employees because there were many employees that were retired and left the company. Thus, there were steps taken at executive level by recruiting new skilled workers in the trades of welders and locksmiths who will replace those who left, especially because of retirement. Related to the company's staff, we may conclude the following:

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

Nevertheless, during the year 2022, the number of staff increased by 4,74% in comparison to the year 2021.

The average number of employees throughout 2022 is 342 employees compared to 359 employees in the previous year. As of 31.12.2022, the number of employees was of 349, out of which 309 at the headquarters in Orșova and 40 at the Agigea Branch.

Out of the total number, as of 31.12.2022, the situation per activity sectors is as following:

- 347 – industrial activity
- 1 – canteen activity
- 1 – medical activity

The structure is as following:

- 44 – technical, financial, professional and administrative staff, out of which:
 - 38 – employees in Orsova (out of which 32 with higher studies);
 - 6 – employees in Agigea (out of which 5 with higher studies).
- 4 foremen, out of which 4 in Orsova;
- 301 workers, out of which:
 - 267 employees in Orsova;
 - 34 employees in Agigea.

Personnel structure in terms of gender is as follows:

- men – 300 persons (309 in the previous year);
- women - 49 persons (52 in the previous year).

During the year 2022, a number of 58 new employees and 70 releases were registered; the latter were released through: retirements, dismissals for reasons of employee's character, expiry of the individual labor contract and with agreement from the parties, the latter being the most common cause. We mention that, subsequently to a work accident, two of our employees have deceased.

A permanent preoccupation of the company's management was to improve the skills of its employees, to preserve their health status, wages' increase, all having an effect in an increase of performance at the work place.

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

The man power union percentage is 74,78 %.

With regards to the employees' rights from the Collective Contract agreement, these were negotiated thus they provide the profitability of the activity, yet at the same time a balance between the two parts. During the year 2022, no conflictual aspects had been noticed between the employees and the management of the company.

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

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

The environmental politics of the company Santerul Naval Orsova SA is based on the principles of caution, prevention and correction of the pollution to the source. As a whole of actions, documents or programs that identify, describe and assess the potential material effects on environment, the environmental policy of SC Santierul Naval Orsova SA is closely related to both the company's economic policy and compliance with the principles of the European Directives on environment protection (CE Directive 2002/42/CE, SEA Directive 2001/42/CE and Habitats Directive 92/43/EC, Directive 2004/35/CE, Habitats Directive 92/43/EC, Directive 2004/35/CE concerning the responsibility for the prejudice brought to the environment and DRM Directive), as well as the company's social-economical politics.

The company's environmental politics has been acknowledged by the entire company's staff, being analyzed periodically, for a permanent adjustment to the changes that may occur on the environment factors, under the terms in which the entire activity is developed in an area protected by law, in the area of the National Park "The Iron Gates".

By acknowledging the importance of defending the environment, by limiting the negative impact, the entire staff of the company is carrying out their activity in compliance with the following principles:

- Observance of the Romanian legislation on the environment and falling into the directives of the European Union;
- Suppress the impact of the company's main activity on the environmental factors;
- Systematic assessment of the accidents' risks and drawing up the measures of prevention;
- integration of environmental considerations in the development and adoption of the company's plans and programs;
- better use of primary resources of raw materials and energy, hence minimizing waste, waste water, air and water pollution, and decrease of costs per product tons;
- continuous improvement of environmental issues, especially the material ones, according to the environment management programs, action plans (integer part of the environmental permit) with targets, objectives, timelines and responsibilities;
- increase education related to environment protection by providing the organizational frame and implementing projects on waste water disposal, waste storage (especially hazardous ones), soil protection;

The company has a monitoring system for all environment factors by specialized institutes and companies, based on firm contracts. The collection and valuing activities, respectively the removal of waste resulting from the production processes is done selectively, by observing the provisions under the imperative dispositions from the GO 856/2002 with regards to the waste management and for the approval of the list that includes the waste including the dangerous waste, only through authorized companies, based on firm contracts.

The impact on the environment because of the heating activity together with the hot water supply for the company's employees is insignificant, given the fact that starting with 01.09.2010, the thermal plant has been sent to preservation, the heating of our unit (of the administrative center and of the lockers) being at present made with 8 (eight) power plants for heating of hot water, each having 36 kw and one of 24 KW, type ROMSTAL EKCO.L1.

In the same idea, in the second half of 2019, the modernization of the company's equipment started, operation which has been completed at the moment, in order to restrict influence on the environmental factors.

During 2022, the company fulfilled all the obligations resulting from the Environment Permit no. 21/27.02.2013, valid up to the present date, approved by the National Agency for Environment Protection Mehedinti for the period 27.02.2023-27.02.2024, complying also with the obligation of self-monitoring

discharged wastewater imposed by the Waste Water Management Permit no.57/21.09.2022, avoiding the occurrence of any effect with a negative impact on the environment. (proof is the inspection documents issued by the representatives of the environment authorities that are without any measure of correction during 2022).

1.1.7 Assessment of research and development activities

Just as in the previous years, during 2022 the company did not record any research and development expenses, and for 2023 it does not intend to incur such expenditure, due to the fact that the technical design of the built ships is usually provided by clients or they use designs bought in previous years with the right to use them at new constructions to be done in the future.

1.1.8 Assessment of company activities regarding risk management

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

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

Therefore, the list of potential risk sources could include:

1. market risk
2. price risk
3. currencies risk
4. environment risk
5. information security risks
6. cash-flow risk, etc.

As it was shown before, the decrease of ship request, accompanied by lowering of selling prices, as an effect of worldwide economic crisis, affected in latest years, including 2022, directly, the company's activity.

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

Considering the estimates/forecasts on the exchange rate developments for 2022, the company made some small transactions for covering the currency risk (hedging). These operations with derivatives had been concluded at a parity, above the official one from the respective period, which contributed to a favorable difference in the exchange rate for 2022 from such operations to be of approximately 468 thousand of lei.

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

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

1.1.9 Perspectives on the company's activity

The year 2023, analyzed both in terms of the external factors which are market regulated and the geopolitical context, as well as the internal factors (inflation, manpower), is estimated as a difficult year. In terms of the company's business perspectives, we can say the following:

- the company has over 31 years of experience in shipbuilding and repairs; these are performed at quality standards imposed by foreign clients and the company's name is already well-known to the West-European shipbuilders;
- the company's activity will be influenced herein by the uncertainties concerning the market requests on which we operate;
- At present, the company has concluded contracts for 2023 which assure the covering of production capacity 85,21%. Negotiations which are done in the present, for new contracts signing, give us a perspective of activity continuation, by new contract signing, for the next years also;
- with regards to the Agigea Branch, it currently has 6 ships (hydro-clap barges, floating cranes, which are described at section 2.1 b of this report), out of which 5 barges have been repaired and obtained the exploitation authorizations; because of the economic and political context, during the year 2022, they were not rented at all, and at present the branch avails of the necessary facilities and capacity in order to carry out ship building and repair works, the activity of ship repair works having known an increase from the previous years.
- Considering the concluded contracts, the production structure and salary costs evolution and those with raw materials and materials, the company has foreseen in the Budget of income and expenses for the year 2023 on an amount of income, expenses and profit that are higher to the one accomplished during the year 2022.
- The efforts to reduce the production costs will be carried on so that the company becomes more competitive;
- the company also intends for 2023 to have higher investments, consisting in:
 - o Continue works for finalizing the modernization of the slipway at Agigea, namely replacement of wedge bogies; this work will be finished during 2023 and will increase safety of ships lifting-launching operations;
 - o Welding machines acquisitions, especially for the head-office in Orsova (welding techniques and robots)
 - o Purchase of auto-crane of 47 to
 - o IT equipment
 - o Purchase of ventilation systems and gas detection equipment
 - o Purchase of machinery and equipment for mechanical cutting
 - o Purchase /fabrication of special tools and devices
 - o Modernization of cranes
 - o Modernization of technical platforms, inner roads and buildings
 - o Purchase of machinery and equipment specific to the ships' repair activity

2 COMPANY'S FIXED ASSETS

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

During the year 2022, no major change was produced in their consistency, the biggest expenses of investment were those related to the repair, replacement and modernization of the existing ones, as shown. a) In Orsova, the company owns, at the administrative head-office, a total surface amounting to 85.790 sm, confirmed through excerpts of Land Register.

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

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

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

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

Regarding the slipway, within year 2015 was done the first stage of replacing damaged railways, in the year 2016 was solved problem of traction system for vessels launching, improvement action continues also along 2017 and 2018. In 2019, the investment plan considered also the replacement of the wedge bogies at this stowage. The 7 bogies which must be replaced had been delayed because of the high

amount of repair works at the ships and the impossibility to lock the slipway to allow the carrying out of the replacement works of the bogies.

The main existing endowments from Agigea branch are:

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

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

At 31.12.2022, the company proceeded to re-evaluation of the group of ships, in compliance with accounting policies of the company reflecting the results of this assessment in the financial situations drawn up for that year. The net book value of the company's non-current assets as of 31.12.2022, after re-assessment is presented below:

The revaluation was performed by a company authorized by ANEVAR (*National Association of Certified Evaluators*), and the results were recorded and disclosed in the financial situations of the year 2022; the company has done a special report in regards to the results of this operation detailed, in order to be presented to shareholders for approval, report which completes this presentation.

Part of the fixed assets from the category of equipment was in conservation in the past years and was in the same situation at 31.12.2022 while others were taken out of use during the year. For this

category of fixed assets (other than buildings) there were constituted depreciations in the total value of 395.780 lei.

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

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

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

3 MARKET OF SECURITIES ISSUED BY THE COMPANY AND CORPORATE GOVERNANCE

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

The shares of Şantierul Naval Orşova are listed and traded since 1998 at the Bucharest Stock Exchange with the symbol SNO. In this moment shares are traded on STANDARD category. S.C. Depozitarul Central S.A. keeps the shareholders' registry, according to the contract no. 30808 dated 09 September 2022.

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

The share capital of Şantierul Naval Orşova SA did not register changes in 2022.

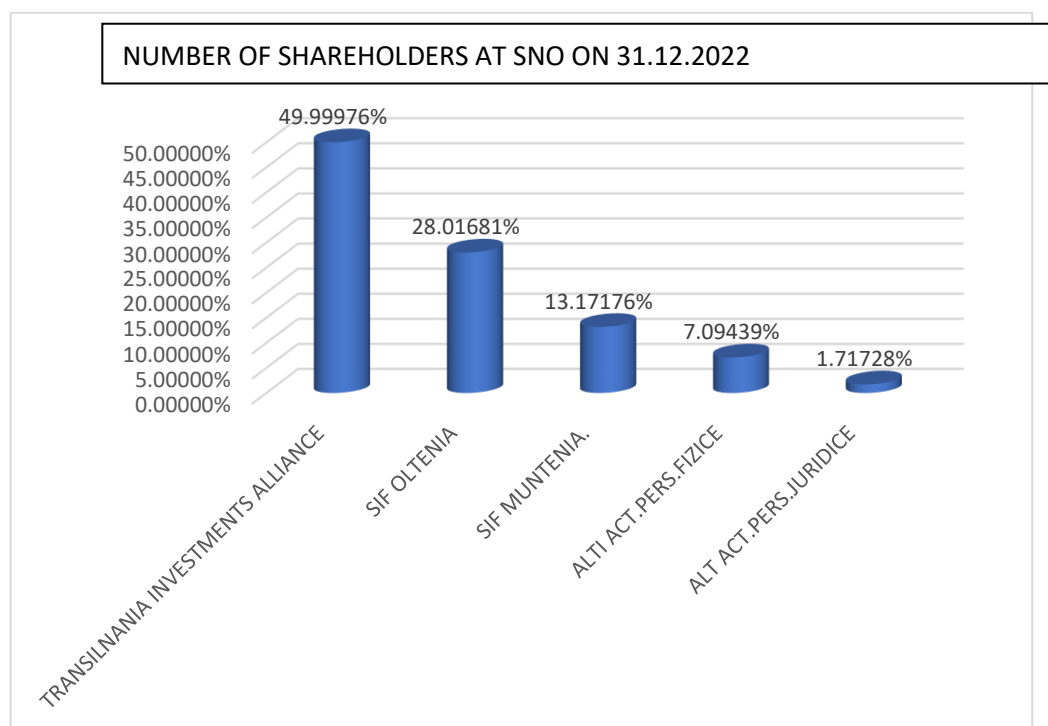
According to the shareholders' registry, as of 31.12.2022, the structure of shareholders is as following:

DENOMINATION	BALANCE AS OF 31.12.2022	BALANCE AS OF 31.12.2021
LAND	1.201.941	1.201.941
CONSTRUCTIONS	19.796.944	20.060.165
TECH. INSTAL. AND TRANSP. MEANS	15.430.898	15.641.959
OTHER INSTALL, EQUIP. AND FURNIT.	76.778	64.602
REAL ESTATE INVESTMENTS	1.033.196	-
ASSETS IN PROGRESS	1.220.026	3.564.578
TOTAL	38.759.783	40.533.245

<u>Shareholders</u>	Number of shares	Sum (Lei)	Percentage (%)
Transilvania Investments Alliance	5.711.432	14.278.580	49,9998
SIF 5 Oltenia	3.200.337	8.000.843	28,0168
SIF 4 Muntenia	1.504.600	3.761.500	13,1717
Alți acționari persoane fizice	810.386	2.025.965	7,0944
Alți acționari persoane juridice	196.164	490.410	1,7173
	<u>11.422.919</u>	<u>28.557.298</u>	<u>100,000</u>

We stipulate that during the month of January 2022, the Company for Financial Investment Transilvania S.A. (SIF Transilvania) changed their name, according to the resolution after the general extraordinary meeting of the shareholders from the date of 28.01.2022, from S.I.F. Transilavnia S.A. Brasov in Transilvania Investments Alliance S.A. Brasov.

The structure of the company's shareholders is given in the graph below:



The subscribed and paid in capital is of 28.557.298 Lei, divided into a number of 11.422.919 nominal dematerialized shares, each in amount of 2.50 Lei.

Compared to the shareholder's structure as of 31 December 2021, no modification has been noticed in 31.12.2022, in what the ownership of significant shareholders are concerned, yet a slight increase of shareholders legal persons has been noticed, compared to shareholders natural persons. The company's shares are ordinary and indivisible.

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

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

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

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

Published on TradingView.com, February 28, 2023 08:28:01 EET
 BVB:SNO, D O:5,1500 H:5,1500 L:5,1500 C:5,1500



TradingView

Published on TradingView.com, February 28, 2023 08:26:34 EET
 BVB:SND, M D:5,2500 H:5,5500 L:5,1000 C:5,1500



TradingView

According to the data shown on the BVB site, the variation range of the trading cost from the previous year was between 3,62 lei/share and 5,95 lei/share (increase by 64,36%). Related to the last 5 years, we notice that the smallest trading cost was registered at the beginning of December 2018 (2,3850 lei/share), and the biggest price was recorded at the beginning of May 2021 (7,3322 lei per share).

3.2 Description of company's policy on dividends

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

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

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

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

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

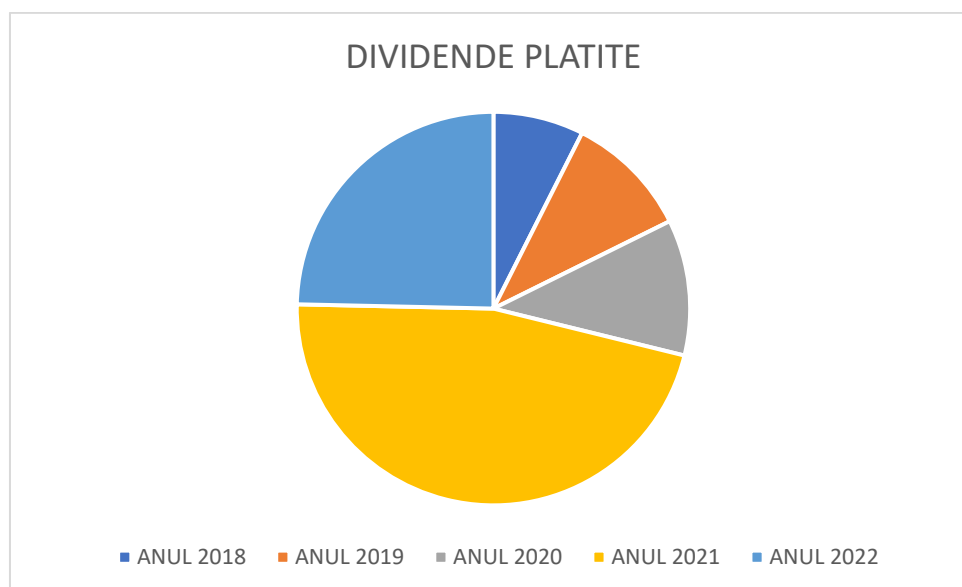
- In the years 2014 and 2015, the company registered a profit, it being used for partial coverage of losses from the previous years.

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

- - For the fiscal year 2017, a gross dividend of 0,16 lei/share was approved, for 2018, the amount of the gross dividend was 0,22 lei/share and during 2019 the gross dividend approved was 0,24 lei/share.
- - for the year 2020, the General Meeting of the Shareholders have approved the allotment of the gross profit amounting to 1 leu/share, out of which 0,38 lei/share allotted from the net profit of the year 2020 and 0,62 lei/share as gross additional share allotted from the result reported.
- - during the year 2021, the company has not registered any net profit.
- during the year 2022, at the AGOA meeting from 24.11.2022 (Resolution AGOA no. 55) it is approved the allotment of the amount of 6.054.147,07 lei, namely a gross dividend of 0,53 lei/share, from the profit restructured of the passing of the amount from the balance as of 31.12.2021 of the account “Other reserves” into the account of dividends, subsequently to the return on the divisions of the net profit approved by AGOA in the previous years.

The evolution of the dividends paid by the company, within the last 5 years has been represented in the graph below:

Payment date	Gross dividend lei/share	Paid dividends	Source		
			Net profit of the previous year	Reported result	Restructured profit from other reserves formed in the previous years
16.07.2018	0,16	1.827.667,04	1.827.667,04		
30.09.2019	0,22	2.513.042,18	2.513.042,18		
31.08.2020	0,24	2.741.500,56	2.741.500,56		
30.06.2021	1	11.422.919,00	4.340.709,22	7.082.209,78	
22.12.2022	0,53	6.054.147,04			6.054.147,07



3.3 Description of any activities relating to purchasing own shares

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

3.4 Number and nominal value of shares hold by subsidiaries

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

3.5 Issuance of bonds and/or debt securities

The company did not issue bonds or other debt securities in 2022 or in the previous year, hence there are no liabilities towards holders of such securities.

4 MANAGEMENT OF THE ISSUER

4.1 Șantierul Naval Orșova S.A. is unitarily managed by the Managing Board consisting of 5 members, appointed by the General Meeting of the Shareholders through cumulated vote. The General Meeting of Shareholders (AGOA) of 28.12.2021 appointed the company's new Board of Directors for a period of 4 years, with the following structure:

- MISTER ROȘCA RADU-CLAUDIU – Romanian citizen, aged 50, economist. On 31.12.2022, he did not own any shares, of the company's social capital;
- MISTER ENESCU RADU-VALENTIN – Romanian citizen, aged 53, engineer. On 31.12.2022, he did not own any shares, of the company's social capital;
- MISTER SPERDEA MIRCEA-ION – Romanian citizen, aged 69, engineer. On 31.12.2022 owned a number of 12.000 shares, representing 0,11% of the company's social capital;

- MISTER ZOESCU MIHAI – Romanian citizen, aged 43, economist On 31.12.2022, he did not own any shares, of the company’s social capital;
- MISTER MIHAI CONSTANTIN-MARIAN – Romanian citizen, aged 56, lawyer. On 31.12.2022 did not own any shares, of the company’s social capital;

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

According to the legal provisions and those included in the company’s articles of incorporation, the Board of Directors had several meetings (12) in 2022, either physical or online, by phone and e-mail, in order to analyze and discuss the company’s current issues, which fall under the responsibility of this governing body.

The main issues discussed, analyzed and approved in the meetings of the Board of Directors in 2022 refer to:

- organizational measurements precursory to the General Meeting of Shareholders from 2022,
- analysis and approval of the financial statements,
- substantiation of the BVC, analysis of accomplishment in comparison to the BVC provisions,
- analysis of the evolution of the litigation with the company VEKA (NL),
- approval of global ceilings in relationships with banks,
- approval of internal audit plans and analysis of the internal audit engagements’ conclusions,
- approval of goods’ disposals and decommissioning, and also of other aspects which depend on the approval of the Managing Board.
- approval of wages’ increase that had been negotiated with the trade unions, solving various requests of the trade unions related to the salaries and other current issues on the agenda
- Analysis of the wages’ costs and deviations between the preliminary calculation and the post-calculation concerning the new constructions;
- Analysis and approval of operational measures at Agigea branch.
- Return to the allotment approved by AGOA in the previous years of the net profit and distribution of dividends from the restructured profit.

4.2 As regards the executive management, we highlight that starting with March 2011, the Board of Directors has validated the appointment of Mr Mircea Ion Sperdea as General Manager, by concluding a mandate agreement. On April 2015 the mandate of Mr. Sperdea Mircea Ion was extended for a 4 years period. On April 2019, the mandate of Mr. Sperdea Mircea Ion was extended for a period of 1 year, namely until April 2020. In April 2020, the mandate was extended for a period of 4 years, and in October 2020, the new Managing Board selected during the AGOA, from 02.10.2020 had concluded a new mandate contract with Mr. Sperdea Ion Mircea, for a period of two years. During the month of November 2022, the Managing Board of the company decided the extension of the mandate contract of Mr. Sperdea Ion Mircea for a period of 4 years.

On 31.12.2022 the executive management has the following structures:

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

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

We inform the shareholders that according to the legal provisions (amendment to Law no. 31/1990 – Company Law, republished), the company suspended the employment contract of the general manager as of 1 March 2011. The company, represented by the president of the Board of Directors – Mr Fercață Mihai - and Mr Mircea Ion Sperdea have concluded and signed a mandate agreement for 2 years and this one was extended successively as shown. This agreement refers to the fact that based on the delegation provided by the company's Board of Directors, the General Manager shall exert some of the management attributions of this body, to the extent permitted by the law and in order to fulfil the company's activities. As of 31.12.2022, Mr Sperdea Mircea held a number of 12,000 shares, representing 0.11 % of the share capital.

Miss Vișescu Marilena was employed at this company, during the year 1987, immediately after having graduated the Economical Sciences Faculty in Craiova, with specialization in finances - accounting, as economist. Starting with 01.11.1990, she was promoted to head of the accounting department until 30.06.2019 when she was promoted to economic director. On 31.12.2022, she owned a number of 10 shares at the company Șantierul Naval Orșova SA.

Mr Stoinel Florin graduated the Mechanics Faculty of the Timisoara "Politehnica" University in 1995 and was immediately employed as an engineer with the Design Department of Șantierul Naval Orșova SA. During 01.10.1998 - 14.11.2005 he was the head of the Design Department within Șantierul Naval Orșova SA and on 15.11.2005 he was appointed technical manager in charge with preparation of the fabrication process. On 31.12.2022 he owned a number of 400 shares in Șantierul Naval Orșova SA.

Mr Lascu Adrian graduated the Ovidiu University Faculty of Engineering in Constanta, with a major in Naval machinery and equipments in 1995. Starting with April 2005 he was chief engineer of repair works at the former company Servicii Construcții Maritime SA Constanța, carrying on this activity on this position also after the merger between SCM and Șantierul Naval Orșova S.A. Starting with September 2021 he is also an interim responsible in charge of Agigea Branch. On 31.12.2022, he did not own any shares in SNO.

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

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

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

4.3 Other aspects on CORPORATE GOVERNANCE

The latest amendment of the company's Articles of Incorporation was realized during the General Extraordinary Meeting of Shareholders on 02.10.2020 and focused on the chapters related to the Managing Board and the Company's Directors. During the year 2022 this was amended again, namely two new secondary activities have been added.

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

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

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

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

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

Considering the shareholders' structure, according to which approx. 91% of the shares are owned by the three SIFs (Financial Investment Companies) (Transilvania Investments Alliance, SIF Oltenia and SIF Muntenia), the administrators were proposed/elected as being their representatives.

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

5 FINANCIAL-ACCOUNTING SITUATION

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

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

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

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

The audit of the financial statements for 2022 was performed by A.B.A. AUDIT SRL Timisoara, based on the contract no. 405/22.07.2013, whose initial validity was for 2 years and subsequently extended, for 2 more years and in 2017 was extended for 3 more years, until 30.04.2020, in compliance with AGOA resolution from 07.04.2017. During the AGOA from 15.04.2022, their contract was extended by 3 years, namely for the audit of the fiscal situations corresponding to the years 2022, 2023 and 2024.

5.1 Financial position as of 31.12.2022

According to IFRS, as of 31.12.2022, the financial position compared to the last 2 years is as following:

<i>ASSETS, LIABILITIES, EQUITY</i>	<i>31.12.2022</i> <i>Lei</i>	<i>31.12.2021</i> <i>Lei</i>	<i>31.12.2020</i> <i>(re-treatment) Lei</i>	<i>YEAR 2022/2021</i> <i>GROWTH/</i> <i>DECREASE (%)</i>
I. Total tangible assets, out of which:	37.539.757	36.968.667	34.628.822	1,54
- land and constructions	20.998.885	21.262.106	18.201.269	(1,24)
- technical installations and transportation means	16.464.094	15.641.959	16.373.915	5,26
- other tangible assets	76.778	64.602	53.638	18,85
II. Intangible assets	27.779	20.138	6.192	37,94
III. Real estate investments	1.220.026	3.564.578	2.788.492	(65,77)
IV. Real estate investment	596.638	522.236	508.019	14,25
IV. Other non-current assets	124.725	621.530	496.543	(79,93)
V. User rights of rented assets	1.109.377	1.559.962	1.950.983	(28,88)
A. TOTAL NON-CURRENT ASSETS	40.618.302	43.257.111	40.379.051	(6,1)
I. Inventories	50.813.700	22.400.725	34.611.321	126,84
II. Trade receivables and other receivables	1.987.659	20.330.881	1.185.231	(90,22)
III. Other short-term financial investments	3.485.023	3.087.107	3.857.609	12,89
IV. Cash and cash equivalents	8.852.408	14.365.368	30.825.273	(38,38)
V. Receivables related to current tax	-	-	18.637	-
VI. Expenses paid in advance	161.622	165.412	130.348	(2,29)
B. TOTAL CURRENT ASSETS	65.300.412	60.349.493	70.628.419	8,20
TOTAL ASSETS	105.918.714	103.606.604	111.007.470	2,23
I. Equity	28.557.298	28.557.298	28.557.298	0
II. Share premiums	8.862.843	8.862.843	8.862.843	0
III. Reserves	47.901.179	54.896.946	51.777.818	(12,74)
IV. Result of the year	(4.215.117)	(153.870)	4.635.374	-
V. Reported result	892.220	941.454	7.737.995	(5,23)
VI. Profit distribution	-	-	(191.823)	-
VII. Other internal equity elements	(4.014.451)	(4.338.244)	(4.028.932)	(7,46)
C. TOTAL EQUITY	77.983.972	88.766.427	97.350.573	(12,15)

ASSETS, LIABILITIES, EQUITY	31.12.2022 Lei	31.12.2021 Lei	31.12.2020 (re-treatment) Lei	YEAR 2022/2021 GROWTH/ DECREASE (%)
I. Liabilities related to deferred tax	4.031.923	4.352.333	4.037.136	(7,36)
II. Other liabilities	555.829	1.047.860	1.449.720	(46,96)
D. TOTAL LONG TERM LIABILITIES	4.587.752	5.400.193	5.486.856	(15,04)
I. Short term loans	-	-	-	-
II. Trade payables and other payables, including derivatives	21.665.023	8.804.168	7.144.568	146,08
III. Advance registered incomes	2.375	3.801	215	(37,52)
IV. Provisions	1.679.592	1.032.015	1.025.258	62,75
E. TOTAL CURRENT LIABILITIES	23.346.990	9.439.984	8.170.041	147,32
TOTAL EQUITY AND LIABILITIES	105.918.714	103.606.604	111.007.470	2,23

* During the year 2021, after the re-assessment of the requirements from IFRS 16, the company framed the conclusion contract with the National Company the Administration of the Sea Ports Constanta, concluded during the last part of 2019, under the incidence of this standard and re-treated accordingly, the indicators and the parts of the assets, debts and fund for the year 2020. More information on this is shown in the Notes to the financial statements.

Non-current assets: This category of assets, per total, has increased by 6,1% from the previous year, subsequently to the procurement realized for the modernization of the activity. With regards to the tangible assets under execution, the decrease from the previous year (by 65,67%) is mainly due to the partial completion of the modernization works of the launching way. As well, a decrease by 79,83% for other non-current assets has been noticed, mostly because of returning to the company of the amounts noted subsequently to the foreclosure in the litigation with Mr. Fercala Mihai.

Non-tangible assets have increased by 37,94% (licenses have been purchased together with informatics software).

The user's rights of the rented assets. During the year 2021, the company re-analyzed the renting contract of the land that had been concluded with the National Company the Administration of the Harbors in Constanta and concluded that it must be framed within the acknowledgement of the standard IFRS 16. Thus, the company registered an operative corresponding to the user's right and a corresponding leasing debt, proceeding subsequently to the retroactive restatement of the errors generated by the failure to apply the standard. The decrease registered for this position (by 28,88%) is according to having reduced the right of use for the remained contractual period. More information on the application of the IFRS 16 standard have been defined in the Notes to the financial situations.

Stocks registered per total an increase by 126,84 %, from 31.12.2021. The inflation tendencies from 2022 for raw materials, yet a better preparation of the production to be completed during 2023 have led to a higher level of stocks at the end of the year. To be stipulated also, that in structure, the production in progress had decreased by approx. 48,97% because of the delivery of the last coastal ship of the two which were the object of the dispute with the company VEKA.

Trade receivables and other receivables A significant increase has been noticed in the trade receivables in comparison to the previous year (by 90,22%). At the end of 2022, the company had outstood current trade receivables and a significant part had been liquidated during the beginning of the year 2023. We mention that during the year 2022 the company cashed-in completely an outstanding receivable from

the commercial relation with the company Veka, receivable whose payment had been deferred, in compliance with the agreement concluded during the month of February 2022. Other information related to the trade receivables and other receivables can be found in the Notes to the financial statements.

Cash and cash equivalents, registered a significant decrease by 38,38 % against 2021, as a direct connection to the increase of the stocks yet also to the payment of the dividends allotted at the end of the year 2022. Per total, the current assets have known an increase, by 8,20%.

More information on all these items may be obtained by consulting the Notes to the financial statements that are attached to the present report.

Own capitals have registered per total, a decrease by 12,15%. In structure, a decrease of the reserves has been noticed (by 12,74%) subsequently to the return to the allotment approved by AGOA in the previous years, of the net profit and of passing the amount from the balance as of 31.12.2021 of the account "Other reserves" into the dividends account, in compliance with the Resolution AGOA no. 55 from the date of 24.11.2022, yet also considering the result of the fiscal year.

The provisions are situated at a level which is superior to the year 2021 (increase by 62,75%), mainly due to the forming of a new provision for litigations, described in detail under the point 5.5.

The commercial debts and other debts have registered as well a significant increase, by 146,08% from the year 2021, mainly due to the advances cashed-in from the clients, according to the contractual stipulations. We mention that they represent current debts, with due dates in the following period.

Per total, the internal capitals and the debts have known an increase by 2,23%.

5.2 PROFIT AND LOSS (COMPREHENSIVE INCOME)

During the year 2022, the company's performance was less effective and the financial situations were situated under the levels provided in the BVC for this year. The unfavorable evolution of the request for the construction of new ships, either river or sea ships, their price evolution under the terms when the costs for raw products and materials, power supply, gas, manpower have increased, these were fundamental factors which had a negative influence on the company's financial results. The differences occurred in 2021 on the contracting and provision of a good preparation of the production for the year 2022, have also influenced negatively the result of 2022.

Thus, the turnover for the year 2022 has registered a decrease from the previous year, by 22,37% and the gross loss registered by the company at the end of the year is amounting to 4.233.703 lei.

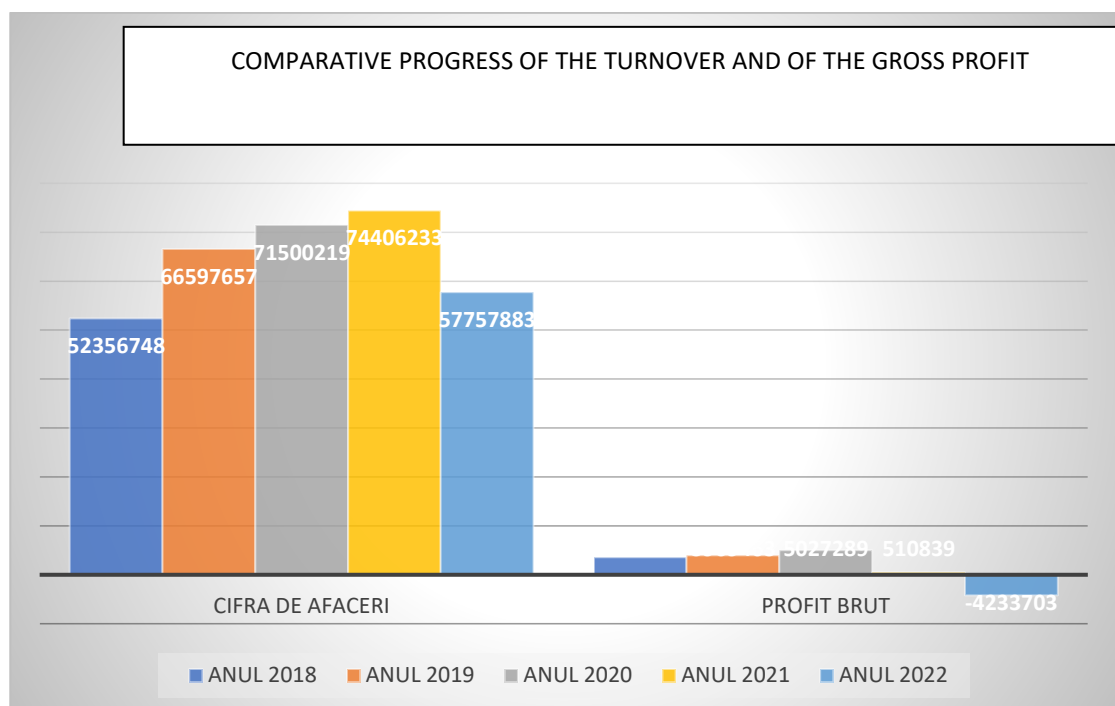
The result of the year 2022, as in the last years, was negatively influenced by the decrease of the company's activity. The rental sector for the barge type of ships was seriously affected by the economical and geopolitical context, the company did not realize any incomes from this activity and the incomes from the ships' repair activity, bigger than the previous year, were yet insufficient to cover the operating costs.

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

- Gross profit provisioned in BVC year 2022	3.000.000 lei
- Gross profit realized in 2022	(4.233.703) lei
- Gross profit obtained in 2021-re-stated	510.839 lei

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

INDICATORS	ACHIEVEMENTS PREVIOUS YEAR	FINANCIAL YEAR 2022			ACCOMPLISHMENT DEGREE (%) 2022 COMPARED TO:	
		BVC PROVISIONS	ACHIEVEMENTS	OUT OF WHICH AT THE BRANCH	ACHIEVEMENTS 2020	BVC PROVISIONS
TOTAL INCOME, out of which:	75.533.784	73.100.500	59.414.021	9.714.470	78,66	81,28
- Operating income (operational)	74.669.943	72.450.500	58.311.667	9.653.540	78,09	80,48
- Financial income	863.841	650.000	1.102.354	60.930	127,61	169,59
TOTAL EXPENSES, out of which:	75.022.945	70.100.500	63.647.724	10.310.299	84,84	90,79
- operating expenses	74.660.228	69.700.500	63.135.344	10.273.063	84,56	90,58
- financial expenses	362.717	400.000	512.380	37.236	141,26	128,09
GROSS PROFIT / LOSS BEFORE TAX,						
out of which:	510.839	3.000.000	(4.233.703)	(595.829)	-	-
- operating profit/loss	9.715	2.750.000	(4.823.677)	(619.523)	-	-
- financial profit/loss	501.124	250.000	589.974	23.694	117,73	235,99
CURRENT AND DEFERRED PROFIT TAX (PAYABLE OR RECEIVABLE +/-)	(664.709)	(476.176)	18.586	-	-	-
NET RESULT	(153.870)	2.523.824	(4.215.117)	-	-	-
NUMBER OF SHARES	11.422.919	11.422.919	11.422.919	-	100,0	100,0
NET PROFIT / LOSS PER SHARE (Lei/share)	(0.0134)	0,2209	(0.3690)	-	-	-



In the table below there are written, synthetically, in structure, the realizations of the year 2022 in comparison to those from the previous year and to the provisions from the income and expenses budget, with the stipulation that the income and expense of the 2 years have been shown according to the provisions from the OMFP no. 2.844/2016 for the approval of the Regulations according to the Standards of Financial Reporting.

It is to be noticed that the result of the operational activity both at the main office in Orsova and also in Agigea Branch is negative. The financial activity has generated profit, though, as we will show in what follows.

5.2.1 Analysis of operating activity

The operational incomes of the year 2022 have resulted approximately 81,9% from the head-office in Orsova, where there were finalized and delivered a number of 4 vessels (in 2021:7 vessels), in total value of 9.523 thousands of Euro/46.787 thousands of lei (in 2021: 13.985 thousands of Euro, respectively 68.802 thousands of lei, at an average parity of 4.9132 lei/€ (in 2021: 4.9196 lei/€), against a rate of 4.95 lei/euro having taken in consideration for the BVC substantiation.

Per total, the operational incomes were lower than the ones from the previous year (decreased by 21,91%) yet also from those stipulated in the BVC (decrease by 19,52%). The operational expenses amounting to 63.135.344 lei and in close connection to the operational income from the year 2022 have registered a decrease by 15,44% from their level during a similar period from the year 2021 (74.660.228 lei). Consequently, the result from operation is negative, the company has registered a loss out of the operation activity amounting to 4.823.677 lei. among the factors that have caused the failure to achieve the designed indicators in the BVC at the head-office in Orsova, we list the low amount of production completed and sold during 2022, the increase of the costs of gross materials (plates and steel profiles)

under the terms when the sale cost of the ships was preserved at the same level as in the previous year, the inflation tendencies manifested on the services' market, increase of the costs with manpower.

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

The ships built in Orsova were completely scoped to be delivered intra-community, respectively in the Netherlands and Germany. Referring to the structure/type of the vessels built, it may be stipulated that it is close to the ones built during the previous years. Subsequently, during the year (2022), the following types of ships had been delivered:

- 2 GAS TANK SHIPS with a length of 110 m;
- 1 PASSENGER ship with a length of 135 m;
- 1 TANK SHIP with a length of 110 m.

Though, we mention that at the end of the year 2022, 99% of a ship structure was finalized and delivered to the intra-community partner in the first decade from January 2023.

Decline of the vessels market registered in the past years, as a consequence of movements produced on external market, continued also in 2022. The cut by approximately 11,1% in comparison to 2021, in the amount of transported goods, by approx. 40% of the number of new orders, according to the market analysts was also caused by the economical and geopolitical context which marked negatively the activity on this market department during the year 2022.

In what Agigea branch is concerned, the main source of incomes was represented by the ships' repair, the income from this activity registered an increase by 148,07% from the previous year. These incomes proved though insufficient to support the operational activity under the terms when, for the barges which were in its patrimony, no rental solution had been found.

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

5.2.2 Analysis of financial income and expenses

Considering that over 81% of the company's cashing in is expressed in euro, coming from deliveries of ships in the intra-community area, the company was permanently exposed to the monetary risk (parity lei/euro). Hence, during 2022, this parity was floating, and in order to protect itself against the depreciation of the exchange rate, the company concluded hedging transactions. The profit from the differences in the exchange rate were registered both from the re-assessment of the availabilities in foreign currency and also subsequently to the transactions hedging type. Thus, from the financial activity, there has been realized a profit of 589.974 lei (during the previous year the profit recorded was 501.124 lei). More information related to the named influences may be found in the Notes to the financial statements.

Having a balanced flow of cash in during the entire year, the company did not contract bank credits during 2022. Subsequently, on 31.12.2022, the company did not have credits and had enough availabilities in the account to support the financing of its current activity, but also that for the investments, out of internal sources.

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

5.2.3 Provisions/encumbrances and depreciation

Just like in the previous years, the company considered it useful to form encumbrances and depreciation for an accurate analysis of tangible assets in conservation, financial assets, seniority of materials stocks, also the litigious receivable as well as for leaves and other salary rights corresponding to the year 2022 and which will be paid in 2023.

The situation of these provisions and depreciation for 31.12.2022 is the following:

	- Lei-
a) For depreciation of tangible assets	395.780
b) For depreciation of financial assets (shares hold at KRITOM Greece (Crete)	684.495
c) Litigations	956.035
d) Provisions for holidays and retirement bonus	723.557
e) Adjustment for depreciation of inventories	674.372
f) Adjustment for depreciation of receivables (clients/debtors)	679.868
TOTAL PROVISIONS AND DEPRECIATION	4.114.107

Compared to the previous year, per total, decrease has been noticed, in absolute numbers, by 803.254 lei. In structure, it may be noticed that, there is a significant increase by 14,31% of the depreciation stock related without movement yet an increase by 44,48% of the provisions for vacations and premiums awarded to the employees on the occasion of their retirement – mainly vacations).

In terms of disputes, the provision is preserved in the amount of 531.210 lei which refers to a file, registered at the end of the year 2020, according to which the former president of the managing Board – Mr. Mihai Fercala – claimed interests on compensation for his dismissal from the management prior to the expiry of his mandate. After several trial stages, at the last trial appeal, the Court in Craiova rejected the claim of Mr. Fercala Mihai because it was considered unsubstantiated and obliged the claimant to pay to the company the amount of 70.336,80 lei as court expenses.

At the end of 2022, the company formed a new provision amounting to 424.825 lei for the claim submitted during the month of June 2022 by Mr. Pantea Marius Ioan, according to which the ex-member of the Managing Board claimed interests on compensation for his dismissal from the function prior to the expiry of the mandate. Pursuant to the Civil Sentence no. 806/05.12.2022, the court of trial rejected as unsubstantiated his summons and decided upon the payment by the plaintiff of the amount of 21.331 lei as court expenses in favor of our company. Mr. Pantea Marius Ioan formed an appeal against the court's resolution during the month of January 2023.

More information on these litigations may be found under the point 5.5.

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

5.3 Analysis of the result and net profit distribution

As of 31.12.2022 the company has registered a net loss amounting to 4.215.117 lei.

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

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

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

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

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

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

No.	Indicator	Amount – lei -
1.	Gross loss	4.233.703
2.	Expenses (incomes) with tax on delayed profit and specific fee	(18.586)
3.	<u>Net loss</u>	<u>4.215.117</u>

The general ordinary meeting of the shareholders for the approval of the financial statements for the year 2022, will aim at settling the manner of covering the net loss, according to the above stipulated.

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

According to the objective needs of the company, for obtaining guarantee letters, the opening of credit letters, for suppliers, and also for a possible covering of the necessary of financing sources, the company continued also in 2022 to benefit from the bank's support. Thus, the company had approved also in 2022, a ceiling for the multi-options and multi foreign exchange, approved by BRD, 1,5 million Euro, ceiling used for the financing needs of the company.

At the same time, the company benefited from a limit for currencies risk through BRD, covering in amount of 2.069.000 USD, at the same level as in 2021.

These ceilings were guaranteed with a mix of guarantees consisting of mortgages, pledges, assignment of receivables on export contracts (guarantee letters opened for external contracts) and one cash collateral in amount of 401.201 EURO. These ceilings were used specially for issuance of bank guarantee letters, the company not needing bank credits during 2022, as its internal sources were enough to pay all due liabilities.

As of 31.12.2022, this ceiling was used 6,3%, the 2 guarantee letters issued within this ceiling were amounting to 467.181 lei, in favor of the National Company for Administration of the Sea Harbor Constanta.

Investment expenses realized have known a decrease compared to the previous year.

In figures/In absolute digits, the expenses volume for investments was at a level of 1.924.961 (in the year 2021: 3.566.260 lei) from which:

- 1.262.450 Lei in Orșova
- 662.511 Lei in Agigea

As from the BVC (income and expense budget) it is registered a realization degree of 25,93% (the BVC provided a value of the investments of 7.425.000 lei).

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

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

- Modular scaffolding
- Industrial vacuum cleaners
- Compressor
- Automate welding machines
- Wedge magnet
- Modernization and provision of additional devices to the already existing equipment
- Modernization of cranes
- IT equipment

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

At the branch in Agigea, out of a total of expenses for this scope, we stipulate the procurement of one industrial washing machine, 2 wedge bogies, modernization of the hydraulic bogies. As well, the modernization of the slipway was carried on.

During 2022, the output of assets refers to cassation of fixed assets which could no longer be used in the production, because of advance wear out.

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

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

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

5.5 Litigation; actions before courts

Reference will be made firstly to the old dispute which Santierul Naval Orsova had with one of his external clients: Veka Shipbuilding BV The Netherlands and which was permanently solved during the year 2022.

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

On the 07th of February 2023, The Court of Trial in Craiova has rejected the claim from Mr. Fercala Mihai under the aspect of lack of substantiation and obliged the claimant to paying the amount of 70.336,80 lei as court expenses. We mention that Mr. Fercala Mihai started during the month of November 2021, the procedure of foreclosure. Pursuant to that, our company has carried out the notice of the amounts, under special assignment, available to the legal executor S.C.P.E.J. Drumea Nicut si Ciovica,

yet subsequently to the solution decided by ICCJ, the noted amounts were returned to the company during the first half of the year 2022.

A new file was submitted to the court of trial by Mr. Pantea Ion Marius, ex-member of the Managing Board, according to which he claims interests on compensation to the company for his dismissal, without grounds from the function held, prior to the expiry of the mandate. The claim of Mr. Pantea Marius Ioan was introduced during the month of June 2022. According to the civil sentence no. 806/05.12.2022, the court of trial rejected as ungrounded the Claim and decided the obligation of the claimant to paying the amount of 21.331 lei as court expenses to our company. Against this decision, Mr. Pantea Marius Ioan formed an appeal during the month of January 2023.

Subsequently to the work accident dated 17.04.2019, resulting in the body injury of the employee Cainiceanu Ionel, he started criminal complaint against our company and against another two natural persons, the research being conducted by the Orsova Court and concluding with the indictment no. 183/P/2019 from 25.08.2022 deciding the sending to the court of Santierul Naval Orsova SA for committing the acts stipulated by the Criminal Code, mentioned in the previous paragraph.

The Court in Orșova has determined the legality of the Court's lawfulness through the Hearing Report from 24.10.2022, in the Preliminary Chamber of the accusation no. 183/P/2019 from 25.08.2022 of the Prosecution Office next to the Court in Orsova, within the file 861/274/2022 and Mr. Cainiceanu Ionel has formed as civil part against our company.

At present, SANTIERUL NAVAL ORSOVA S.A. is defendant in the criminal file 861/274/2022, pending on the Court in Orsova, status-holding, having as object the failure to take the legal measures for occupational health and safety measures (art. 349 NCP) body injury out of guilt (art. 196 NCP), failure to observe the legal measures regarding the occupational health and safety measures (art. 350 NCP).

It is to be mentioned that in this file, also Cainiceanu Ionel has been sent to trial for having gone against the law with the crime of "failing to observe the occupational health and safety measures", deed provided and punished according to the provisions under art. 350, line 1 C. pen.

The due date for trial is 20.03.2023, at the Court in Orsova.

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

5.6 Other information

During the month of August 2022, at the company's main office, a work accident occurred resulting in the death of two employees of our company. With regards to the causes and conditions of the accident that caused the decease of the two persons, research is still being made by the certified authorities.

In order to prevent any future occurrence of such events, the company has implemented a series of measures aimed at removing the gas accumulation in closed spaces, the staff underwent re-instruction in terms of their obligation to check the gas concentrations in closed spaces where work is carried out, with special care to the increase in acknowledgement of the executing staff.

In order to improve the labor conditions and to increase the work safety, the company has purchased performant machinery

for air-circulation and air conditioning with high efficiency, yet also special devices for gas detection.

6 INVENTORY OF PATRIMONY AS OF 31.12.2022

The company has performed an annual stock take of assets and liabilities for 2022 according to the provisions of the Order of the Minister of Public Finances no. 2861/2009 and to the Manual with the inventory procedures issued at the level of the company. In this respect, there are internal decisions for the set-up of a central stock take commission and respectively sub-commissions for all units within the company, the headquarters and Agigea branch. At two of the stocks which are at the main head-office, together with the annual inventory also the handover-takeover of the stock had been realized;

The main conclusions of the stock take are the following:

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

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

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

President of the Board of Directors,

Ec. Roșca Radu Claudiu

REMUNERATION REPORT RELATED TO THE FINANCIAL YEAR 2022
regarding the remunerations and other advantages granted to the administrators
and directors within the Orsova S.A. Shipyard.

Preamble

In accordance with the Company's remuneration policy, approved by the OGMS on April 16, 2021, the Company's Board of Directors has prepared this annual report which includes the remuneration and other benefits granted to the Company's executives during the financial year ended December 31, 2022.

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

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

1. GENERAL LEGAL FRAMEWORK:

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

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

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

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

REMUNERATION REPORT

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

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

The composition of the Nomination and Remuneration Committee between January 1 - December 31, 2022, approved at the meeting of the Board of Directors on 28.12.2021 (Decision no. 18 / 28.12.2021) was next:

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

4. The structure of the remuneration of the administrators and directors of the Company and its amount, during the year 2022:

- the administrators received, for the activity carried out, a fixed monthly indemnity according to the mandate contracts in force for each administrator;
- the General Manager received, for the activity carried out, a fixed monthly allowance;
- the fixed allowance for the members of the Board of Directors was approved by the GMS;
- the allowance for the General Manager was approved by the Board of Directors;
- in 2022 no variable indemnity was granted to the administrators or stock and stock options;
- partially the directors and the general manager benefited from professional liability insurance, at the expense of the Company, in the amount approved by the GMS throughout 2022;
- the remuneration granted to the administrators and directors of the company complies with the remuneration policy adopted;

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

Total gross remuneration for all members of the Company's Board of Directors for the year 2022 it was 597,996 lei.

4.1.1. Fixed monthly remuneration: it was established according to the legal provisions presented above and provided by the mandate contracts of each administrator as approved by the GMS decision. The net fixed remuneration granted to all members of the Company's Board of Directors during 2022, and related entirely to this year, was 349,848 lei.

4.1.2. Variable remuneration: In 2022 no variable remuneration was granted.

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

	<u>Nume and surname</u>	<u>Remuneration Gross fixed</u>	<u>Remuneration Fixed net</u>	<u>Remuneration Variable</u>	<u>Other benefits according to the contract</u>
1	Rosca Radu Claudiu	135.396	79.212	0	0
2	Enescu Radu Valentin	124.092	72.600	0	0
3	Sperdea Mircea Ion	112.836	66.012	0	0
4	Zoescu Mihai	112.836	66.012	0	0
5	Mihai Constantin Marian	112.836	66.012	0	0

REMUNERATION REPORT

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

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

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

The total gross remuneration granted to the General Manager of the Company for 2022 was 376,320 lei.

The total net fixed remuneration granted to the General Manager of the Company for 2022 was 220,151 lei.

No variable remuneration was granted in 2022.

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

5.1. Mandate contracts of administrators

The mandate contracts of the company's administrators in 2022 were concluded for periods between 4 (four) years.

The situation of the mandate contracts for the administrators who were part of the Board of Directors of Orsova S.A. during 2022 is presented in the following table:

	Name and surname	Start date mandate under contract	End date mandate	Appointment document
1	Rosca Radu Claudiu	28.12.2021	28.12.2025	DecisionAGOA nr.53/2021
2	Enescu Radu Valentin	28.12.2021	28.12.2025	DecisionAGOA nr.53/2021
3	Sperdea Mircea Ion	28.12.2021	28.12.2025	DecisionAGOA nr.53/2021
4	Zoescu Mihai	28.12.2021	28.12.2025	DecisionAGOA nr.53/2021
5	Mihai Constantin Marian	28.12.2021	28.12.2025	DecisionAGOA nr.53/2021

Mandate contracts contain clauses regarding:

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

The mandate contracts concluded with the company's administrators do not include performance indicators and criteria. These were approved by the OGMS in the meeting of April 15, 2022 (Decision no. 54 / 15.04.2022).

During 2022 there were no cases of dismissal of the members of the Board of Directors for non-fulfillment of the obligations provided in the contract.

5.2. The mandate contract of the executive directors

Mandate contracts contain clauses regarding:

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

5.2.1. The mandate contract of the general manager

By Decision no. 13 of November 8, 2022, the Board of Directors extends the term of office for the position of General Manager of the Company of Mr. Sperdea Mircea Ion, for a period of 4 years, between November 10, 2022 and November 9, 2026.

The mandate contract concluded by the General Manager with the Company does not include performance indicators and criteria. For the year 2022, they were approved by the AGOA in the meeting of April 15, 2022.

REMUNERATION REPORT

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

Annual change	Financial year 2022 compared to the financial year 2021+(-)	Financial year 2021 compared to the financial year 2020+(-)	Financial year 2020 compared to the financial year 2019 +(-)	Financial year 2019 compared to the financial year 2018 +(-)	Financial year 2018 compared to the financial year 2017 +(-)
Average gross remuneration of managers					
Board of Directors	1,72%	(41,62%)	16,35%	21,45%	(0,11%)
Executive management	(6,94%)	14,13%	1,91%	3,54%	36,93%
Company performance					
Turnover	22,37%	4,06%	7,36%	27,20%	(4,14%)
Gross profit	-	(89,88%)	26,92%	10,87%	(8,39%)
Work productivity	33%	3,42%	(12,64%)	10,49%	(0,35%)
Average gross remuneration based on the full-time equivalent of the Company's employees					
Employees of society	9,61%	3,67%	5,92%	12,52%	29,57%

PRESIDENT

Nomination and Remuneration Committee,

Ec. Rosca Radu Claudiu.

STATEMENT OF COMPLIANCE WITH THE BUCHAREST STOCK EXCHANGE CORPORATE GOVERNANCE CODE as of 31.12.2022

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

STATEMENT OF COMPLIANCE WITH THE BUCHAREST STOCK EXCHANGE CORPORATE GOVERNANCE CODE

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

STATEMENT OF COMPLIANCE WITH THE BUCHAREST STOCK EXCHANGE CORPORATE GOVERNANCE CODE

B.4	The assessment should consider the effectiveness and scope of the internal audit function, the adequacy of risk management and internal control reports to the audit committee of the Board, management's responsiveness and effectiveness in dealing with identified internal control failings or weaknesses and their submission of relevant reports to the Board.	YES	
B.5	The Audit Committee should review conflicts of interests in transactions of the company and its subsidiaries with related parties.	YES	
B.6	The Audit Committee should evaluate the efficiency of the internal control system and risk management system.	YES	
B.7	The Audit Committee should monitor the application of statutory and generally accepted standards of internal auditing. The Audit Committee should receive and evaluate the reports of the internal audit team.	YES	
B.8	Whenever the Code mentions reviews or analysis to be exercised by the Audit Committee, these should be followed by cyclical (at least annual), or ad-hoc reports to be submitted to the Board afterwards.	YES	
B.9	No shareholder may be given undue preference over other shareholders with regard to transactions and agreements made by the company with shareholders and their related parties.	YES	
B.10	The Board should adopt a policy ensuring that any transaction of the company with any of the companies with which it has close relations, that is equal to or more than 5% of the net assets of the company (as stated in the latest financial report), should be approved by the Board following an obligatory opinion of the Board's audit committee, and fairly disclosed to the shareholders and potential investors, to the extent that such transactions fall under the category of events subject to disclosure requirements.	YES	
B.11	The internal audits should be carried out by a separate structural division (internal audit department) within the company or by retaining an independent third-party entity.	YES	
B.12	To ensure the fulfilment of the core functions of the internal audit department, it should report functionally to the Board via the audit committee. For administrative purposes and in the scope related to the obligations of the management to monitor and mitigate risks, it should report directly to the chief executive officer.	YES	
SECTION C -Fair reward and motivation			
C.1	a. Remuneration policy	YES	

	<p>The company should publish a remuneration policy on its website and include in its annual report a remuneration statement on the implementation of this policy during the annual period under review.</p> <p>The remuneration policy should be formulated in such a way that allows stakeholders to understand the principles and rationale behind the remuneration of the members of the Board and the CEO, as well as of the members of the Management Board in two-tier board systems. It should describe the remuneration governance and decision-making process, detail the components of executive remuneration (i.e. salaries, annual bonus, long term stock-linked incentives, benefits in kind, pensions, and others) and describe each component's purpose, principles and assumptions (including the general performance criteria related to any form of variable remuneration). In addition, the remuneration policy should disclose the duration of the executive's contract and their notice period and eventual compensation for revocation without cause.</p> <p>[...]</p> <p>Any essential change of the remuneration policy should be published on the corporate website in a timely fashion.</p> <p>b. Remuneration report</p> <p>The company should publish a remuneration policy on its website and include in its annual report a remuneration statement on the implementation of this policy during the annual period under review. [...]</p> <p>The remuneration report should present the implementation of the remuneration policy vis-à-vis the persons identified in the remuneration policy during the annual period under review.</p>		
SECTION D -adding value to the investor relations			
D.1	The company should have an Investor Relations function - indicated, by person (s) responsible or an organizational unit, to the general public. In addition to information required by legal provisions, the company should include on its corporate website a dedicated Investor Relations section, both in Romanian and English, with all relevant information of interest for investors, including:	YES	
D.1.1	Principal corporate regulations: the articles of association, general shareholders' meeting procedures.	YES	

STATEMENT OF COMPLIANCE WITH THE BUCHAREST STOCK EXCHANGE CORPORATE GOVERNANCE CODE

D.1.2	Professional CVs of the members of its governing bodies, a Board member's other professional commitments, including executive and non-executive Board positions in companies and not-for-profit institutions;	YES	
D.1.3	Current reports and periodic reports (quarterly, semi-annual and annual reports) – at least as provided at item D.8 – including current reports with detailed information related to non-compliance with the present Code;	YES	
D.1.4	Information related to general meetings of shareholders: the agenda and supporting materials; the procedure approved for the election of Board members; the rationale for the proposal of candidates for the election to the Board, together with their professional CVs; shareholders' questions related to the agenda and the company's answers, including the decisions taken;	YES	
D.1.5	Information on corporate events, such as payment of dividends and other distributions to shareholders, or other events leading to the acquisition or limitation of rights of a shareholder, including the deadlines and principles applied to such operations. Such information should be published within a timeframe that enables investors to make investment decisions;	YES	
D.1.6	The name and contact data of a person who should be able to provide knowledgeable information on request;	YES	
D.1.7	Corporate presentations (e.g. IR presentations, quarterly results presentations, etc.), financial statements (quarterly, semi-annual, annual), auditor reports and annual reports.	YES	
D.2	A company should have an annual cash distribution or dividend policy, proposed by the CEO or the Management Board and adopted by the Board, as a set of directions the company intends to follow regarding the distribution of net profit. The annual cash distribution or dividend policy principles should be published on the corporate website.	NO	<i>Under development</i>
D.3	A company should have adopted a policy with respect to forecasts, whether they are distributed or not. Forecasts means the quantified conclusions of studies aimed at determining the total impact of a list of factors related to a future period (so called assumptions): by nature such a task is based upon a high level of uncertainty, with results sometimes significantly differing from forecasts initially presented. The policy should provide for the frequency, period envisaged, and content of forecasts. Forecasts, if published, may only be part of annual, semi-annual or quarterly reports. The forecast policy should be published on the corporate website.	YES	

STATEMENT OF COMPLIANCE WITH THE BUCHAREST STOCK EXCHANGE CORPORATE GOVERNANCE CODE

D.4	The rules of general meetings of shareholders should not restrict the participation of shareholders in general meetings and the exercising of their rights. Amendments of the rules should take effect at the earliest as of the next general meeting of shareholders.	YES	
D.5	The external auditors should attend the shareholders' meetings when their reports are presented there.	YES	
D.6	The Board should present to the annual general meeting of shareholders a brief assessment of the internal controls and significant risk management system, as well as opinions on issues subject to resolution at the general meeting.	YES	
D.7	Any professional, consultant, expert or financial analyst may participate in the shareholders' meeting upon prior invitation from the Chairman of the Board. Accredited journalists may also participate in the general meeting of shareholders, unless the Chairman of the Board decides otherwise.	YES	
D.8	The quarterly and semi-annual financial reports should include information in both Romanian and English regarding the key drivers influencing the change in sales, operating profit, net profit and other relevant financial indicators, both on quarter-on-quarter and year-on-year terms.	YES	
D.9	A company should organize at least two meetings/conference calls with analysts and investors each year. The information presented on these occasions should be published in the IR section of the company website at the time of the meetings/conference calls.	NO	Organization of such events will be analyzed by the Board of Directors and executive management, if it will such requests from investors. In this moment, we appreciate that the information offered by yearly reports, current reports and periodic reports are complete and offers a high degree of transparencies, as so can take decision aware of the cause
D.10	If a company supports various forms of artistic and cultural expression, sport activities, educational or scientific activities, and considers the resulting impact on the innovativeness and competitiveness of the company part of its business mission and development strategy, it should publish the policy guiding its activity in this area.	NO	Company has not such a policy. This request is in Board of Directors attention.

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

Şantierul Naval Orşova S.A.
Separate financial statements 2022 in accordance with IFRS

<i>Reference</i>	STATEMENT OF FINANCIAL POSITION			
	As at 31 December		2022	2021
<i>IAS 1.10(a), 113</i>		<i>Note</i>	RON	RON
	Assets			
	Fixed assets			
<i>IAS 1.54(a)</i>	Tangible assets	<i>15</i>	38.759.783	40.533.245
	Freehold land and land improvements	<i>15</i>	1.201.941	1.201.941
	Buildings	<i>15</i>	19.796.944	20.060.165
	Plant and machinery, motor vehicles	<i>15</i>	16.464.094	15.641.959
	Fixtures and fittings [...]	<i>15</i>	76.778	64.602
	Tangible assets in progress	<i>15</i>	1.220.026	3.564.578
<i>IAS 1.54(c)</i>	Intangible assets	<i>16</i>	27.779	20.138
	Other intangible assets	<i>16</i>	27.779	20.138
<i>IFRS 16, IAS 8</i>	Rights-of-use for leased assets	<i>17</i>	1.109.377	1.559.962
<i>IAS 1.54(h)</i>	Trade receivables and other receivables		8.956	541.401
<i>IAS 1.54(b)</i>	Investment property	<i>19</i>	596.638	522.236
<i>IAS 1.54(o), 56</i>	Deferred tax assets		115.769	80.129
<i>IAS 1.60</i>	Total fixed assets		40.618.302	43.257.111
<i>IAS 1.54 (g)</i>	Inventories	<i>20</i>	50.813.700	22.400.725
<i>IAS 1.54(h)</i>	Trade receivables and other receivables	<i>22</i>	1.987.659	20.330.881
<i>IAS 1.55</i>	Deferred expenses	<i>22</i>	161.622	165.412
<i>IAS 1.54(d)</i>	Short term investments	<i>23</i>	3.485.023	3.087.107
<i>IAS 1.54(i)</i>	Cash and cash equivalents	<i>24</i>	8.852.408	14.365.368
<i>IFRS 5.38-40</i>	Non-current assets held for sale		0	0
<i>IAS 1.60</i>	Total Current Assets		65.300.412	60.349.493
	Total Assets		105.918.714	103.606.604
	Equity			
<i>IAS 1.54(r), 78(e)</i>	Share capital	<i>25</i>	28.557.298	28.557.298
<i>IAS 1.55, 78(e)</i>	Share premium	<i>25</i>	8.862.843	8.862.843
<i>IAS 1.54(r), 78(e)</i>	Reserves	<i>25</i>	47.901.179	54.896.946
	Result for the period	<i>25</i>	(4.215.117)	(153.870)
<i>IAS 1.55, 78(e)</i>	Retained earnings	<i>25</i>	892.220	941.454

Şantierul Naval Orşova S.A.
Separate financial statements 2022 in accordance with IFRS

<i>Reference</i>	STATEMENT OF FINANCIAL POSITION (continued)			
	As at 31 December	Note	<u>2022</u>	<u>2021</u>
			RON	RON
	Profit appropriation	25	0	0
	Other elements of equity	25	(4.014.451)	(4.338.244)
	Total equity		77.983.972	88.766.427
	Liabilities			
	Long-term liabilities			
<i>IAS 1.54(o), 56</i>	Deferred tax liabilities		4.031.923	4.352.333
<i>IFRS 16, IAS 8</i>	Other debts, including lease liability	28	555.829	1.047.860
<i>IAS 1.60</i>	Total long-term liabilities		4.587.752	5.400.193
	Current liabilities			
<i>IAS 1.54(k)</i>	Trade payables and other debts, including derivatives	31	21.665.023	8.404.168
	Deferred income		2.375	3.801
<i>IAS 1.54(l)</i>	Provisions	30	1.679.592	1.032.015
<i>IAS 1.60</i>	Total current liabilities		23.346.990	9.439.984
	Total Liabilities		27.934.742	14.840.177
	Total Equity and Liabilities		105.918.714	103.606.604

The separate financial statements were approved by the Board of Directors on March 9, 2023 and were signed by:

Administrator,
 Ec. Radu-Claudiu Rosca

Prepared by,
 Ec. Marilena Vişescu

Şantierul Naval Orşova S.A.
Separate financial statements 2022 in accordance with IFRS

<i>Reference</i>	STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME			
	For the financial year ended at 31 December	Note	2022	2021
			RON	RON
	Continuing operations			
<i>IAS 1.10(b), 81(a)</i>	Income	5	57,269,884	73,328,989
	Other income	6	1,041,783	1,340,954
	Total Operational Income		58,311,667	74,669,943
	Expenses related to inventories	7	(22,313,026)	(27,468,440)
	Utility expenses	8	(1,541,210)	(1,738,305)
	Employee benefits expenses	9	(24,269,823)	(29,665,566)
	Depreciation and amortization expenses	15,16	(3,413,005)	(4,102,416)
	Depreciation expenses related to rights-of-use for leased assets	17	(567,259)	(533,595)
	Gains/losses on disposal of property		(71,587)	(1,691)
	Increase/(Decrease) of receivables allowances and inventory write-down	10	(247,555)	2,479,113
	Increase/(Decrease) of provision expenses	27	(647,577)	(6,757)
<i>IAS 1.99, 103</i>	Other expenses	11	(10,064,302)	(13,622,571)
	Total Operational expenses		(63,135,344)	(74,660,228)
	The result of operational activities		(4,823,677)	9,715
	Financial income	12	1,102,354	863,841
<i>IAS 1.82(b)</i>	Financial expenses	12	(512,380)	(362,717)
	Net financial result	12	589,974	501,124
<i>IAS 1.85</i>	Result before taxation		(4,233,703)	510,839
	Current income tax expenses	13a	0	(646,234)
	Deferred income tax expenses	13a	(83,512)	(740,130)
	Deferred income tax income		115,769	735,326
	Specific activities tax expenses	13b	(13,671)	(13,671)
<i>IAS 1.85</i>	Result for continuing operations		(4,215,117)	(153,870)
<i>IAS 1.82(f)</i>	Result for the period		(4,215,117)	(153,870)

Şantierul Naval Orşova S.A.
Separate financial statements 2022 in accordance with IFRS

<i>Reference</i> (continued)	STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	Note	2022	2021
	For the financial year ended at 31 December		RON	RON
	Other comprehensive income			
<i>IAS 1.10(b), 81(a)</i>				
<i>IAS 1.82(g)</i>	Reevaluation of tangible assets		(941.620)	3.033.564
<i>IAS 1.85</i>	Other comprehensive income after taxation		(941.620)	3.033.564
<i>IAS 1.82 (i)</i>	Total comprehensive income for the period		(5.156.737)	2.879.694
	Attributable profit			
<i>IAS 1.83(b)(ii)</i>	Shareholders	26	(4.215.117)	(153.870)
	Profit for the period		(4.215.117)	(153.870)
	Total attributable comprehensive income			
<i>IAS 1.83(b)(ii)</i>	Shareholders		(5.156.737)	2.879.694
	Earnings per share			
<i>IAS 33.66</i>	Basic earnings per share		(0,37)	(0,01)
<i>IAS 33.66</i>	Diluted earnings per share		(0,37)	(0,01)
	Continuing operations			
<i>IAS 33.66</i>	Basic earnings per share		(0,37)	(0,01)
<i>IAS 33.66</i>	Diluted earnings per share		(0,37)	(0,01)

The separate financial statements were approved by the Board of Directors on March, 9, 2023 and were signed by:

Administrator,
 Ec. Radu-Claudiu Roşca

Prepared by,
 Ec. Marilena Vişescu

Şantierul Naval Orşova S.A.
Separate financial statements 2022 in accordance with IFRS

Reference STATEMENT OF CHANGES IN EQUITY

IAS
1.108,109

Attributable to equity holders

	Share capital	Share premium account	Revaluati on reserve	Other reserves	Retained earnings	Result for the period	Other elements of equity	Profit appropriation	Total equity
Balance at December 31, 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>
IAS Profit/Loss adjustment for 2019	-	-	-	-	(5,849)	-	-	-	(5,849)
IAS Profit/Loss adjustment for 2020	-	-	-	-	-	(18,127)	-	-	(18,127)
Balance at December 31, 2020-restated	<u>28,557,298</u>	<u>8,862,843</u>	<u>27,212,735</u>	<u>24,565,083</u>	<u>7,737,995</u>	<u>4,635,374</u>	<u>(4,028,932)</u>	<u>(191,823)</u>	<u>97,350,573</u>
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 Loss/ Net profit for the year	-	-	-	-	(153,870)	(4,061,247)	-	-	(4,215,117)
IAS Profit appropriation	-	-	-	-	-	-	-	-	-
IAS Transfer in reserve	-	-	(104,636)	(6,054,147)	6,158,783	-	323,793	-	323,793
IAS Revaluation reserve	-	-	(836,984)	-	-	-	-	-	(836,984)
IAS Dividends	-	-	-	-	(6,054,147)	-	-	-	(6,054,147)
Balance at December 31, 2022	<u>28,557,298</u>	<u>8,862,843</u>	<u>29,304,680</u>	<u>18,596,499</u>	<u>892,220</u>	<u>(4,215,117)</u>	<u>(4,014,451)</u>	<u>=</u>	<u>77,983,972</u>

Administrator,
Ec. Radu-Claudiu Rosca

Prepared by,
Ec. Marilena Vişescu

Şantierul Naval Orşova S.A.
Separate financial statements 2022 in accordance with IFRS as adopted by EU

<i>Reference</i>	STATEMENT OF CASH FLOWS		2022	2021
	For the financial year ended at 31 December	Note	RON	RON
<i>IAS 1.10(d), 113</i>	Cash flows from operating activities			
	Profit for the period		(4,215,117)	(153,870)
	Adjustments for:			
	Amortization of intangible and tangible assets	<i>15,16,17</i>	4,442,279	4,755,219
	Depreciation of fixed assets		(96,057)	85,315
	Losses from various receivables and debtors	<i>10</i>	(4,180)	3,425
	Expenses from revaluation of tangible assets			
	Net expenses/(net income) with provisions		647,577	6,757
	Impairment of current assets	<i>10,20</i>	247,555	(2.485,538)
	Loss from the sale of tangible assets		71,587	1,691
	Profit from fixed assets held for sale	<i>6,21</i>	-	152,602
	Current income tax expenses	<i>13a</i>	-	646,234
	Specific activities tax expenses	<i>13b</i>	13,671	13,671
	Deferred income tax expenses	<i>13a</i>	83,512	740,130
	Deferred tax income		(115,769)	(735,326)
	Cash - flows from operating activities before changes in working capital		1,075,058	3,030,310
	Changes in working capital			
	Changes related to inventories		(28,328,550)	14,509,467
	Changes related to trade receivables and other receivables		18,493,726	(18,942,002)
	Changes in accrued expenses		3,790	(35,064)
	Changes in trade payables and other liabilities		12,111,488	170,991
	Cash generated / (used) from / (in) operating activities		3,355,512	(1,266,298)
	Interest paid (leasing)	<i>12,17</i>	(26,650)	(35,702)
<i>IAS 7.35</i>	Income tax paid		(13,671)	(659,905)
<i>IAS 7.10</i>	Net cash from operating activities		3,315,191	(1,961,905)
	Cash flows from investing activities			
<i>IAS 7.31</i>	Interest received		34,742	22,807
<i>IAS 7.16(a)</i>	Purchases of tangible and intangible assets	<i>15,16</i>	(1,944,633)	(3,583,458)
	Short term investments		(397,916)	770,502
<i>IAS 7.10</i>	Net cash used in investing activities		(2,307,807)	(2,790,149)

Şantierul Naval Orşova S.A.**Separate financial statements 2022 in accordance with IFRS as adopted by EU**

<i>Reference</i>	STATEMENT OF CASH FLOWS (continued)		2022	2021
<i>IAS 1.10(d), 113</i>	For the financial year ended at 31 December	Note		
	Cash flows from financing activities			
<i>IAS 7.31</i>	Proceeds from loans / (loans refunds)			0
	Paid dividends		(5,951,427)	(11,182,612)
	Increase (reimbursement) in loans (leasing)	28	(568,917)	(525,239)
<i>IAS 7.10</i>	Net cash from (used in) financing activities		(6,520,344)	(11,707,851)
	Increase/(Decrease) Net cash and cash equivalents decreases		(5,512,960)	(16,459,905)
	Cash and cash equivalents at 1 January		14,365,368	30,825,273
	Cash and cash equivalents at 31 December		<u>8,852,408</u>	<u>14,365,368</u>

The separate financial statements were approved by the Board of Directors on March 9, 2023 and were signed by:

Administrator:
Ec. Radu-Claudiu Roşca

Prepared by:
Ec. Marilena Vişescu

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

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Separate financial statements 2022 in accordance with IFRS as adopted by EU

<i>Reference</i>	NOTES TO SEPARATE FINANCIAL STATEMENTS IN ACCORDANCE WITH IFRS
<i>IAS 1.10(e)</i>	1. Reporting company
<i>IAS 1.138 (a),(b)</i>	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.
<i>IAS 1.51(a)-(c)</i>	The separate financial statements in accordance with IFRS have been prepared for the year ended 31 December 2022. The Company's main activity is: construction of ships and floating structures (NACE code: 3011).
<i>IAS 1.112(a)</i>	2. Basis of preparation
	a. Statement of compliance
<i>IAS 1.16</i>	The company has prepared the annual financial statements for the year ended 31 December 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.
<i>IAS.10.17</i>	The financial statements have been authorized for issue by the Board of Directors on March 9th, 2023. 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:
<i>IAS 1.117(a)</i>	Investment properties <ul style="list-style-type: none">• Buildings• Naval means of transport.
	a. Functional currency and presentation currency
<i>IAS1.51(d),(e)</i>	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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Separate financial statements 2022 in accordance with IFRS as adopted by EU

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

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

b. Professional judgements and key assumptions

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

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

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

- Note 19 –Investment property classification;
- Note 27 – 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", published on May 18, 2017, with effect from January 1, 2023.
- Amendments to IAS 1 "Classification of short-term or long-term liabilities, effective January 1, 2023."
- Amendments to IAS 1 "Presentation of Financial Statements" effective January 1, 2023
- Amendments to IAS 8 "Accounting policies, changes in accounting estimates and correction of errors" effective January 1, 2023.
- Amendments to IAS 12 "Income Tax" with effect on 1 January 2023.
- Amendments to IFRS 17 "Insurance Contracts" with effect on January 1, 2023.
- Amendments to IAS 1 "Classification of short-term or long-term liabilities, effective January 1, 2024."
- Amendments to IFRS 16 "Leases" effective January 1, 2024.

Şantierul Naval Orşova S.A.
Separate financial statements 2022 in accordance with IFRS as adopted by EU

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

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

d. Presentation of financial statements

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

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

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

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

IAS 1.57 The aggregation method is optional depending on the manner in which the Company's management considers relevant information for the presentation of the financial position, respectively financial performance.

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

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

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

In preparation of the annual accounting reports, as well as those submitted during the year to the territorial units of the Ministry of Public Finance, which are prepared in accordance with the format established by the Ministry of Public Finance, the Company which, according to IAS 1, has chosen to present the analysis of expenses using a classification based on their nature, does not present either the value of these expenses or the value of the corresponding revenues as it is stipulation by OMFP 2844 of December 12, 2016 for approving the Accounting Regulations compliant with International Financial Reporting Standards (paragraph 182).

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Separate financial statements 2022 in accordance with IFRS as adopted by EU

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

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

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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Separate financial statements 2022 in accordance with IFRS as adopted by EU

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

Şantierul Naval Orşova S.A.
Separate financial statements 2022 in accordance with IFRS as adopted by EU

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

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

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

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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
IFRS 17	Insurance contracts	Aims to ensure that an entity provides relevant information that accurately represents those 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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Separate financial statements 2022 in accordance with IFRS as adopted by EU

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

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

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.

On December 31, 2022, the Company proceeded to the revaluation of property, plant and equipment of the nature of the means of naval transport located at the Agigea branch using the opinion of an independent external evaluator.

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

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

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

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

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

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

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

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

(ii) Reclassification to investment property

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

(iii) Depreciation of tangible non-current assets

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

The company uses straight-line depreciation method for all tangible assets owned, by dividing the book value equally, over its useful life. The depreciation method is applied consistently to all assets of the same type and with identical conditions of use. If tangible assets are placed in conservation, the company did not account the depreciation expense, instead at the end of the period, the company will record a corresponding expense adjustment for the impairment of the asset. The degree of impairment will be determined as much as possible by a certified evaluator.

A significant change in the conditions of use of tangible assets or aging may justify a revision of the useful life. Also, if the tangible non-current assets are placed in conservation (their use is discontinued for a long period), the useful life can be revised.

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

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

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Separate financial statements 2022 in accordance with IFRS as adopted by EU

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

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

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

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

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

(iv) Derecognition

The account value of a fixed asset shall be derecognised:

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

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

d. Intangible Assets

(1) Cost

(i) *Software*

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

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

Şantierul Naval Orşova S.A.
Separate financial statements 2022 in accordance with IFRS as adopted by EU

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

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

117(a)

(ii) Other intangible assets

All other intangible assets are recognized at cost.

Intangible assets are not revalued.

(2) Amortization

(i) Software

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

(ii) Other intangible assets

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

e. Rights-of-use for leases assets

The company as a lessees

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

Leasing liability

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

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

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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.

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

117(a)

Measurement of inventories

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

Cost of inventories

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

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

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

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

h. Impairment

(i) Financial assets (including receivables)

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

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

5. Revenue

	<u>2022</u>	<u>2021</u>
	RON	RON
<i>IFRS 15.113 (a)</i> Sales of goods	46.787.132	68,802,414
<i>IFRS 15.113 (a)</i> Rendering of services	9.177.126	4,072,211
<i>IFRS 15.113 (a)</i> Sales of residual products and goods	1.242.848	396,216
<i>IAS 40.75 (f) (i)</i> Incomes from rental of investment properties	62.778	58,148
Total	<u>57.269.884</u>	<u>73.328.989</u>

The sales of goods, made from the sale of ships built at the main headquarters in Orsova, recorded a decrease of 21.90% in 2022 compared to the previous year, and compared to the provisions of the BVC, there is a degree of achievement of 71.44%. In the year 2022, the Company managed to complete and hand over to external customers a number of 4 ships. We mention that at the end of the year, a hull was 99% completed, being delivered to the intra-Community market in the first decade of January 2023. We also mention that the structure and complexity of the ships built is different from one year to another, which is also reflected in the level of revenues achieved during these periods.

Further, although the Company had covered the entire production capacity of 2022, the market for river/sea shipbuilding continued to be deficient.

As for the ship repair activity, the revenues made in 2022, mainly by the Agigea branch, amounted to 9,024,363 lei (3,637,764 lei in 2021), registering an increase of 148.07% compared to the previous year. The main client was still NAVROM GALAŢI for this type of services.

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

6. Other income

	<u>2022</u>	<u>2021</u>
	RON	RON
Rental income (other than rental of investment property)	487,999	1,077,244
Income from compensations and penalties	-	171,238
Other operating incomes	553,784	92,472
Total	<u>1,041,783</u>	<u>1,340,954</u>

The amounts entered under the heading Rental income refer, in particular, to the amounts from the rental of premises at the Agigea branch, but we mention that in the corresponding period of 2021 they also included income from the rental of the barges.

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6. Other income (continued)

In the analyzed period, rental incomes are at a lower level than in the corresponding period of the previous year (decrease by 54.7%). Please note that for the 5 barges in the branch's records, no rental solutions were found in 2022.

As regards the other operating income position, it includes, in addition to the income from other activities, the income representing penalties received from the relationship, concluded after more than 12 years, with Veka.

7. Expenses related to inventories

	<u>2022</u>	<u>2021</u>
	RON	RON
Raw materials	14.547.667	17,703,081
Consumables, including:	6,841,137	9,057,159
<i>Auxiliary materials</i>	6,238,348	7,870,646
<i>Fuel</i>	294,350	585,984
<i>Spare parts</i>	211,291	390,362
<i>Other consumables</i>	97,148	210,167
Materials in the form of small inventory	427,261	493,891
Materials not stored	204,210	185,126
Goods for resale	294,053	29,416
Trade discounts received	(1,302)	(233)
Total	<u>22,313,026</u>	<u>27,468,440</u>

As of 31.12.2022, the significant share in the total expenditure on stocks is still held by raw materials (naval board). The decrease by 17.82% of the expenses on raw materials in 2022 compared to 2021 is due both to the decrease in the production volume and to the structure of shipbuilding sold in 2022. In total, there is a decrease in expenditure on stocks, by 18.77% compared to the previous year, this increase being also correlated with the fact that the revenues from the sale of vessels also recorded a decrease of 32%.

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.

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8. Utility expenses

	<u>2022</u>	<u>2021</u>
	RON	RON
Electricity	1,507,386	1,690,606
Water	33,824	47,699
Total	<u>1,541,210</u>	<u>1,738,305</u>

In 2022, utility spending decreased compared to last year (by 10.84%), given that the production achieved, respectively the revenues, also decreased and the supply tariffs experienced a slight increase.

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

IAS 1.104

9. Personnel expenses

	<u>2022</u>	<u>2021</u>
	RON	RON
Salaries	22,078,313	26,761,992
Social expenses	2,191,510	2,903,574
Total	<u>24,269,823</u>	<u>29,665,566</u>
Number of employees	342	359

In 2022, employee benefit expenses are at a lower level, by 17.50% compared to 2021. This decrease is due to the decrease in the volume of production made and delivered in 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%.

Among other factors that influenced wage expense in 2022 we mention the reduction in the number of personnel, but also the structure of production costs in terms of presenting the cost of goods sold according to the requirements of IAS 1 .

Analyzed in correlation with salary expenditures, in terms of social expenditures and insurance contribution for work, we also note a decrease of 24.52% compared to the previous year.

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.

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

10. Receivables allowances and inventories write-down

	<u>2022</u>	<u>2021</u>
	RON	RON
Losses due to various debts and debtors	-	(1,344)
Impairment of current assets	290,161	70,307
Income from current assets Impairment	(42,606)	(2,548,076)
Total	<u>(247,555)</u>	<u>(2,479,113)</u>

The amounts presented above refer to the adjustment of impairments related to stocks and other receivables, respectively to income from the reactivation of some debtors during 2022.

IAS 1.97

11. Other expenses

	<u>2022</u>	<u>2021</u>
	RON	RON
Maintenance and repair expenses	334,058	467,849
Royalties and rental expenses	76,767	251,028
Insurance premiums	145,832	169,873
Commissions and fees	36,406	18,404
Protocol, promotion and advertising	29,737	36,087
Transport of goods and personnel	1,660,680	4,790,068
Travel	43,768	21,385
Postage and telecommunications	48,299	54,277
Bank commissions and similar charges	96,658	57,449
Other third party services	6,787,246	7,004,399
Other taxes, duties and similar expenses	431,728	382,885
Expenses with the environment protection	15,626	7,181
Expenses related to real estate assets held for sale	-	18,637
Other operating expenses	328,637	72,150
Compensations, fines and penalties	28,860	270,899
Total	<u>10,064,302</u>	<u>13,622,571</u>

In 2022, the above level of expenditures decreased compared to the previous year (26.12%), those with significant share referring to:

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

IAS 1.97 **11. Other expenses**

- There is a decrease in maintenance and repair expenses (by 28.6%). In 2022, the Company made fewer expenses with this title, but the actions of repairing the transport and lifting equipment from the patrimony continued.
- Regarding the expenses with rents, they decreased by 69.42% in 2022 compared to 2021, but we mention that, following the review at the end of 2020 of the lease contract for the land at the Agigea branch, owned by CNAPMC, and the reassessment of the IFRS 16 requirements, although this expense has been adjusted accordingly, influences due to the production in progress were maintained in 2021.
- Expenditure on the transport of goods and persons decreased significantly (by 65.33%). These expenses are closely related to the volume of sales revenue, but a factor influencing this increase is the method of presenting expenses using a classification based on their nature.
- They relate in particular to the transport of river vessels built at the main headquarters, on the route: Orsova – Rotterdam, or other handover points in the Netherlands or Germany, indicated in the commercial contracts. 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 remains at a level close to 2021. We mention that in 2022 the company appealed more to subcontractors. 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 in the current year the following values: 69,894 lei, including VAT, fees to statutory auditors (in the financial year 2021 these amounts totaled 69,383 lei, including VAT), and for internal audit services the amounts paid during the financial year 2022 were 42,178 lei, including VAT (for the financial year 2021, fees of 42,281 lei were paid, including VAT). The company did not contract tax consultancy services during the period under review.
- Regarding the position on compensation expenses, fines, in 2022 the company paid much lower amounts compared to 2021, mainly penalties provided for in commercial contracts.

Also in the case of these categories of expenditure, a factor influencing these increases/decreases is the method of presenting expenditure using a classification based on its nature.

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

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

Recognized in income statement

		<u>2022</u>	<u>2021</u>
		RON	RON
<i>IFRS 7.20</i>	Interest income related to deposits	53,579	25,232
<i>(b)</i>			
<i>IAS 21.52</i>	Income from exchange rate differences	1,048,775	838,609
<i>(a)</i>			
	Total financial revenue	1,102,354	863,841
	Value adjustments in respect of financial assets	(56,116)	56,116
<i>IAS 7.20</i>	Interest expense on leasing contracts	26,649	35,702
<i>(b)</i>			
<i>IAS 21.52</i>	Exchange rate differences expenses	541,847	270,899
<i>(a)</i>			
	Total financial expenses	512,380	362,717
	Net financial result	<u>589,974</u>	<u>501,124</u>

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

- the interest income is related to the bank deposits made during the financial year ended, December, 31 2022;
- in 2022, the company did not contract bank loans, did not use credit lines and therefore did not record bank interest charges.
- expenditures on exchange differences were lower than income from exchange differences, so for the year 2022 the company recorded a profit of 506,928 lei (in 2021: 567,710 lei). The winnings from exchange rate differences were recorded both from the revaluation of the availability in foreign currency and from the hedge type of transactions concluded by the Company in order to protect itself against the depreciation of the exchange rate.

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

13a. Income tax expenses

		<u>2022</u>	<u>2021</u>
		RON	RON
	a) Current income tax expenses		
IAS 12.80 (a)	Current period	-	646,234
	b) Deferred income tax expenses		
IAS 12.80 (c)	Initial recognition and reversal of temporary differences	83,512	740,130
	Total income tax expenses	83,512	1,386,364
IAS 12.81 (c)	c) Reconciliation of effective tax rate		
	Profit for the period	(4,098,208)	628,382
	Non-deductible expenses	1,614,375	1,161,224
	Non-taxable incomes	638,154	2,980,492
	Elements similar to expenses	1,360,582	898,076
	Legal reserve	-	-
	Other taxable amounts	-	4,497,433
	Profit for the financial year	(1,761,405)	4,204,623
	Sponsorships	16,204	26,506
	Tax facilities regarding re-invested profit	-	-
	Total income tax	-	646,234
	Profit after tax	-	(140,199)

13b. Expenditure with the specific activity

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

For the year 2022, the expenditure with specific tax due for this activity is in the amount of 13,671 RON (13,671 RON for financial year 2021).

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14. Deferred tax assets and liabilities

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

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

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

	ASSETS		LIABILITIES		NET	
	2022	2021	2022	2021	2022	2021
Tangible Non-Current Assets	214,168	266,074	(91,159)	606,932	305,327	(340,858)
Stocks	-	-	-	-	-	-
Commercial receivables	-	-	-	-	-	-
Commercial debts	-	-	-	-	-	-
Subsidies	-	-	-	-	-	-
Provisions	-	-	-	-	-	-
Employee Benefits	115,769	67,992	80,129	66,912	35,640	1,080
Tax loss carried forward	-	-	-	-	-	-
Receivables/liabilities	-	667,333	-	667,333	-	-
Tax incentives	-	1,218	(15,083)	(24,444)	15,083	25,662
Tax offsets						
Net Deferred tax assets/liabilities	329,937	1,002,617	(26,112)	1,316,733	356,050	(314,116)

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

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

		<u>Land and buildings</u>	<u>Machines and Equipment</u>	<u>Furniture and fixtures</u>	<u>Work in progress</u>	<u>Total</u>
		RON	RON	RON	RON	RON
	Cost or assumed cost					
<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>	Acquisition	1,837,646	3,438,214	26,848	814,472	6,117,180
<i>IAS 16.73 (e)(ii)</i>	Disposals of tangible non-current assets	17,783	377,100	-	3,159,024	3,553,907
	Net reevaluation	-	(836,984)	-	-	(836,984)
<i>IAS 16.73 (d)</i>	Balance at 31 December 2022	23,081,969	58,259,701	535,770	1,220,026	83,097,466
	Depreciation and impairments					
<i>IAS 16.73 (d)</i>	Balance at 1 January 2022	0	40,393,612	444,320	-	40,837,932
<i>IAS 16.73 (d)(vii)</i>	Depreciation for the year	2,084,170	1,765,760	14,672	-	3,864,602
<i>IAS 16.73 (d)(vi)</i>	Reversal of impairment losses		(39,941)		-	(39,941)
<i>IAS 16.73 (d)(ii)</i>	Disposal of tangible non-current assets	1,086	302,515	-	-	303,601
	Discounts representing cancellation of depreciation due to revaluation	-	21,309	-	-	21,309
<i>IAS 16.73 (d)</i>	Balance at 31 December 2022	2,083,084	41,795,607	458,992	-	44,337,683
<i>IAS 1.78 (a)</i>	Net book value					
	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 31 December 2022	<u>20,998,885</u>	<u>16,464,094</u>	<u>76,778</u>	<u>1,220,026</u>	<u>38,759,783</u>

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

On 31 December 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 S.A. Agigea, carried out the land revaluation operation of 210 sqm. As a result, after the merger (in 2008) and until this date, the Company's lands are valued at fair value for the land in the Branch's patrimony and at historical cost for the lands from Orşova.

In the course of the year 2017 the company has put up for sale by tender two plots of land in the area Gratca, of 937 square meters and 3,988 square meters, in accordance with the management decision of 16 February 2017. At the time of this decision, they were properly restated as fixed assets held for sale (according to IFRS 5). The sale transaction was completed in 2021

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

Revaluation of tangible non-current assets

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

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

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

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

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

been less than the book value a reduction of the existing revaluation surplus was reflected affecting operating expenses for the purposes for which revaluation reserves were not previously recognized or the recognized revaluation reserve was insufficient to cover the decrease.

At 31 December 2010 and 2012, the company did not revalue non-current assets.

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

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

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

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

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

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

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

The amount of the revaluation surplus was credited to revaluation reserve balance for those targets whose fair value was higher than the net book value, and for the other purposes for which the fair value has been less than the book value a reduction of the existing revaluation surplus was reflected affecting operating expenses for the purposes for which revaluation reserves were not previously recognized or the recognized revaluation reserve was insufficient to cover the decrease.

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

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

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

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

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

On December 31, 2018, the company proceeded to re-evaluate the property, buildings and ships, both at the headquarters of Orşova and at Agigea branch using the opinion of independent external evaluators. The method of reflecting revaluation in the Company's accounts was that of eliminating depreciation from the carrying amount of assets.

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

With the value of the revaluation surplus, the balance of revaluation reserves was credited for those items whose fair value was higher than net book value, and for the other objectives for which the fair value was less than the net book value reflected the decrease of the existing revaluation surplus and / or the impairment of operating expenses in the case of previously unrecognized revaluation reserves or recognized revaluation reserves was insufficient to cover the decrease. In both the construction group and the ship, by total group, there are increases, totaling 5,330,995 RON. However, individually analyzed were positions where there were decreases, their total value being 1,054,765 RON, out of which: 1,047,790 RON were borne from the revaluation surplus previously recorded in these positions and the amount of 6,975 was incurred on costs.

At December 31, 2019, the Company proceeded to reevaluation the tangible assets of the nature of the means of ship transport, using the opinion of the same independent external evaluator and based on the same rules regarding the recording of the resulting differences. In the ordinary general meeting of the shareholders, the results of this reassessment will be presented as a separate item on the agenda.

At December 31, 2020, the Company proceeded to reevaluation the tangible assets of the nature of the means of ship transport, using the opinion of the same independent external evaluator and based on the same rules regarding the recording of the resulting differences. At the ordinary general meeting of shareholders, the results of this revaluation will be presented as a separate item on the agenda.

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

On 31 December 2022, the Company proceeded to the revaluation of property, plant and equipment of the nature of the means of naval transport, using the opinion of the same independent external

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

valuer and based on the same rules on the registration of the resulting differences. For fixed assets located in conservation at the Agigea branch was recognized a total depreciation at the end of 2022 of 395,779.82 lei (as of 31.12.2021 this depreciation was of 435,721.16 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 2022, the date of financial reporting. At the company level, there has not been any change of the level presented by IFRS 13 for the data taken into account in determining the fair values. Also, the maximum amount for assets valued at fair value does not differ from the current amount of use.

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

- RON-

Name	Land	Plant	Equipment (Means of transport)
Fair value at 31.12.2022	1,201,941	21,880,028	7,416,189
Revaluation surplus	572,314	14,045,680	1,889,768
Net book value according to cost model	629,627	7,834,348	5,526,421

Impairment losses and subsequent reversals

On the occasion of the revaluation on December 31, 2022, the depreciation test for the fixed assets in conservation at the Agigea branch was also carried out, and following the processing of the respective data, a depreciation, in balance, amounting to 395,779.82 lei, related to other fixed assets than buildings, resulted. In the previous year, the value of the observed depreciations was of 435,721.16 lei.

Pledged or mortgaged tangible assets

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

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

- First rank mortgage on the following properties: Repair hall, New Hall, Thermal power station, Compressors Station and PSI Shed, Operating Group, Cafeteria, Merged building, all together with the related land, buildings assessed in accordance with the Warranty Monitoring Report at 1,512,800 EUR market value, registered in the Land Registry under the following numbers 1133, 1146, 1121, 1145, 1134, 1135 and 1132;
- Security interest with dispossession on a deposit in value of 401,201 EUR.
- Warrant in form of Assignment of receivables in total value of 9,612,000 EUR, resulting from signed contracts concluded by the company with third parties, contracts not received on 12.31.2022.

Tangible assets in progress

At 12.31.2022 the company had unfinished investment in the total amount of 1,220,026 RON, consisting of modernization of the launch path from the subunit from Agigea.

Changes in Accounting Estimates

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

Changes in classification

In 2022, no reclassifications of this kind of assets has made by the Company.

According to IAS 40, in the financial year 2019, a building under the management of the Agigea branch (head office) was transferred from the category of fixed assets to the category of real estate investments, which was given for use, by lease, to third parties, this rental regime being maintained in 2022. In this regard, the presentations in the Explanatory Note 19 Real Estate Investments will also be seen.

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IAS 38 **16. Intangible Assets**

<i>IFRS 3.61</i> <i>IAS 38.118 (c), (e)</i>		Other assets	Total
	Cost	RON	RON
<i>IFRS 3.B67 (d)(viii),IAS 38.118</i>	Balance at January 1, 2022	1.094.898	1.094.898
<i>IAS 38.118(e)</i>	Acquisitions	19.672	19.672
	Disposals of intangible assets	80.593	80.593
<i>IAS 38.118</i>	Balance at December 31, 2022	1.033.977	1.033.977
	Amortization and impairment		
<i>IFRS 3.B67 (d)(i),IAS 38.118</i>	Balance at January 1, 2022	1.074.760	1.074.760
<i>IAS 38.118(e)(vi)</i>	Amortization during the year	10.418	10.418
<i>IAS 38.118(e)(iv)</i>	Impairments		
	Disposals of intangible assets	78.980	78.980
<i>IFRS 3.B67 (d)(viii),IAS 38.118</i>	Balance at December 31, 2022	1.006.198	1.006.198
	Book values		
<i>IAS 38.118(c)</i>	Balance at January 1, 2022	<u>20.138</u>	<u>20.138</u>
<i>IAS 38.118(c)</i>	Balance at December 31, 2022	<u>27.779</u>	<u>27.779</u>

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

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

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

	Total land use rights	Total rights to use of assets
Cost		
At 1st january 2019	0	0
entries	2,502,294	2,502,294
At 31 december 2019	2,502,294	2,502,294
Entries	94,066	94,066
At 31 december 2020	2,596,360	2,596,360
Entries	142,574	142,574
At 31 december 2021	2,738,935	2,738,935
Entries	116,674	116,674
At 31 december 2022	2,855,609	2,855,609
Amortization		
At 1 january 2019	0	0
Annual amortization	125,115	125,115
At 31 december 2019	125,115	125,115
Annual amortization	520,262	520,262
At 31 december 2020	645,377	645,377
Annual amortization	533,595	533,595
At 31 december 2021	1,178,973	1,178,973
Annual amortization	567,259	567,259
At 31 december 2022	1,746,232	1,746,232
Net book value		
At 31 december 2019	2,377,179	2,377,179
At 31 december 2020	1,950,983	<u>1,950,983</u>
At 31 december 2021	1,559,962	<u>1,559,962</u>
At 31 december 2022	1,109,377	<u>1,109,377</u>

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17. Right-of-use assets (continued)

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

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Expenditure with related amortization			
Usage rights	567,259	533,595	520,262
Interest on lease debt	26,650	35,702	44,956
Totals	593,909	569,297	565,218

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

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

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

Other investment	Book value	2022		Net worth	2021	
		Allowance for impairment			Book value	Impairment adjustments
Long-term investment						
Shares held at Kritom	684,495	684,495	0	684,495	684,495	0
Total long-term investment	<u>684,495</u>	<u>684,495</u>	<u>0</u>	<u>684,495</u>	<u>684,495</u>	<u>0</u>

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IAS 39 **18. Other investments, including derivatives (continued)**

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

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

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

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

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

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

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

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

As of December 31, 2022, the Company had constituted adjustments for the total depreciation of these securities, i.e. at the level of RON 684,495, so that the net value as at December 31, 2022 was RON 0 (as of December 31, 2021, the same situation was recorded).

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

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

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IAS 40 **19. Investment property**

		<u>2022</u>	<u>2021</u>
		RON	RON
<i>IAS 40.76(a)</i>	Balance on January 1st	522,236	508,019
<i>IAS 40.76(f)</i>	Acquisitions	71,537	0
<i>IAS 40.76(d)</i>	Transfer from tangible assets	0	0
<i>IAS 40.76(d)</i>	Free transfer/depreciation, transfer to tangible assets	(2,865)	14,217
	Balance at December 31	<u>596,638</u>	<u>522,236</u>

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

The Company measures real estate investments at fair value, with changes in fair value being recognized in profit or loss and other comprehensive income. On 31.12.2022, the real estate investment was revalued by an independent external assessor. The valuation method was the income approach.

20. Inventories

		<u>2022</u>	<u>2021</u>
		RON	RON
<i>IAS 1.78 (c),2.36(b)</i>	Raw materials and consumables	21,879,261	9,671,585
<i>IAS 1.78(c), 2.36(b)</i>	Work in progress	29,608,811	13,319,086
	Write-downs	(674,372)	(589,946)
	Inventories at net value	<u>50,813,700</u>	<u>22,400,725</u>

IAS 1.104,2.36(e)(f) Stocks register an increase of 126.41% compared to the previous year. The inflationary trends in 2022 for raw materials and materials, as well as a better preparation of the production that is to be completed in 2023, led to a higher level of stocks at the end of the year.

For the sheet metal stocks with an age of more than 3 years and for the other stocks with an age of more than 2 years, without movement, the Company proceeded to adjust the accounting value, constituting a total depreciation of 674,372 lei.

Evolution of inventory write-downs

		<u>2022</u>	<u>2021</u>
		RON	RON
<i>IAS 1.104,2.36(e,g)</i>	Opening balance	(589,946)	(2,870,180)
<i>IAS 1.104, 2.36(e,g)</i>	Write-downs reversal	20,064	2,282,238
<i>IAS 1.104, 2.36(e,g)</i>	Write-downs	(104,490)	(2,004)
	Closing balance	<u>(674,372)</u>	<u>(589,946)</u>

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21. Fixed assets held for sale

	<u>2022</u>	<u>2021</u>
	RON	RON
<i>IAS 1.104,2.36(e,g)</i> Balance at the beginning of the period	0	18,637
<i>IAS 1.104, 2.36(e,g)</i> Outputs for sale	0	18,637
Balance at the end of the period	0	0

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 reclassified assets in this category were sold, namely the two plots of land owned by the company in the Area of Gratca, Orsova, this transaction generating a profit of 152,602 lei.

In 2022, the company did not register operations with fixed assets held for sale.

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

	<u>2022</u>	<u>2021</u>
	RON	RON
<i>IAS 1.78 (b)</i> Trade receivables	1,616,760	19,818,759
Receivables allowances	(166,620)	(166,620)
<i>IFRS 7.8(c)</i> Loans and net receivables	1,450,140	19,652,139

Long term

Receivables – total	699,141	844,154
Sundry debtors	514,341	449,674
Suppliers – debtors	34,150	-
VAT receivable and under settlement	270,978	128,411
Allowances for other receivables	(513,248)	(345,939)
Deferred expenses	161,622	165,412
Other expenses	222,722	412,042
Accrued expenses	8,576	34,554
Total	<u>2,149,281</u>	<u>20,496,293</u>

Commercial receivables, as at 31 December 2022, register a decrease compared to the corresponding period of 2021. The balance of uncollected invoices refers to current invoices, some of which are already collected in the first days of 2023.

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

We also mention that, regarding the uncollected claim from VEKA, during 2022 it was paid in full by the Dutch partner, so that the dispute with VEKA was extinguished.

On 31.12.2022 there were, as in the previous year, in the records of the Agigea Branch, uncollected commercial claims (litigious customers), older than 1 year, originating from previous years and for which adjustments were constituted for the depreciation of receivables in the total amount of 166,620 lei.

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

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

Currency	<u>2022</u>	<u>2021</u>
	RON	RON
USD		-
EUR	217,757	19,098,570
RON	1,399,003	720,189

Movements of the Company's receivables allowances are as follows:

	<u>2022</u>	<u>2021</u>
	RON	RON
On 1 January	166,620	166,620
Allowances reversed	-	-
Recognized allowances	-	-
Balance at end of period	166,620	166,620

In 2022, no impairments were established / resumed in connection with the Company's trade receivables.

23. Short term investments

	<u>2022</u>	<u>2021</u>
	RON	RON
Deposits in banks in RON	1,500,000	904,000
Deposits in banks in foreign currency	1,985,023	2,183,107
Total	<u>3,485,023</u>	<u>3,087,107</u>

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23. Short term investments (continued)

Deposits with banks in RON and deposits with banks in foreign currency (euro), presented by the Company as other short-term investments as of December 31, 2022 refer to deposits with a maturity of between 6 months and one year.

24. Cash and cash equivalents

	<u>2022</u>	<u>2021</u>
	RON	RON
Bank accounts in RON	2,235,772	2,190,120
Bank account in foreign currencies (euro)	6,609,740	12,164,760
Petty cash in RON	5,795	6,254
Petty cash in foreign currencies	-	-
Other values	1,101	4,234
Total	<u>8,852,408</u>	<u>14,365,368</u>

Cash and cash equivalent amounts register a significant decrease compared to the previous period (by 38.38%), especially as a result of the amounts paid in 2022 as dividends.

The company has sufficient financial resources of its own that allow it to finance the current activity without resorting to loans.

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25. Capital and reserves

Share capital

IFRS 7.7 The share capital structure on December 31, 2022 is as follows:

IAS

1.79(a)(i),(iii)

	<u>Number of shares</u>	<u>Amount</u> <u>(RON)</u>	<u>Percentage (%)</u>
Transilvania Investments Alliance	5,711,432	14,278,580	49,9998
SIF 5 Oltenia	3,200,337	8,000,843	28,0168
SIF 4 Muntenia	1,504,600	3,761,500	13,1718
Other corporate shareholders	196,164	490,410	1,7173
Other individual shareholders	810,386	2,025,965	7,0944
	<u>11,422,919</u>	<u>28,557,298</u>	<u>100</u>

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

Compared with the existing ownership structure at 31 December 2022, there are no significant changes. The changes took place at the level of other corporate and individual shareholders, in the sense that there was a slight increase in the share of corporate shareholders to the detriment of the individual ones.

Shareholders name	Percentage of ownership (%)	
	<u>2022</u>	<u>2021</u>
Transilvania Investments Alliance	49.9998	49.9998
SIF 5 Oltenia	28.0168	28.0168
SIF 4 Muntenia	13.1718	13.1718
Other corporate shareholders	1.7173	1.6620
Other individual shareholders	7.0944	7.1497
Total	100.00	100.00

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

Each subscribed and paid share, grants the shareholders, under the law, the right to vote in the General Meeting of Shareholders or to be elected to the governing bodies, the right to participate in the distribution of profit or any rights derived from the shareholder quality. Owning shares involves adherence to the status and subsequent amendments. During 2022 there were no changes in share capital.

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25. Capital and reserves (continued)

Reserves

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

During 2022, the company did not constitute legal reserves because it had reached the threshold of 20% of the share capital, according to art 183 of the Companies Law no.31/1990, republished, with subsequent amendments and completions.

Revaluation reserve	Total reserve	Reserves taxed	Untaxed reserves
Recorded before 2004	6,049,701	-	6,049,701
Recorded at 31.12.2006	1,479,579	942,949	536,630
Recorded at 31.12.2007	3,779,014	1,558,877	2,220,137
Recorded at 31.12.2009	1,015,329	547,984	467,345
Recorded at 31.12.2012	2,233,609	1,193,664	1,039,945
Recorded at 31.12.2013	167,347	94,128	73,219
Recorded at 31.12.2014	113,996	55,735	58,261
Recorded at 31.12.2015	4,539,517	1,788,347	2,751,170
Recorded at 31.12.2016	89,252	25,498	63,754
Recorded at 31.12.2017	102,030	19,905	82,125
Recorded at 31.12.2018	5,249,980	1,617,592	3,632,388
Recorded at 31.12.2019	127,351	5,306	122,045
Recorded at 31.12.2021	4,357,975	539,236	3,818,739
TOTAL	29,304,680	8,389,221	20,915,459

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

IAS 1.107

Profit appropriation / Dividends declared and paid

In the Ordinary General Meeting of Shareholders (OGMS) dated 24.11.2022 it was approved the distribution of the amount of 6,054,147.07 lei, respectively of a gross dividend of 0.53 lei / share, from the reconstituted profit by transferring the amount from the balance on 31.12.2021 of the account "Other reserves" to the dividend account, as a result of the return to the distribution approved by OGMS in previous years of the net profit.

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26. Earnings per share

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

<i>IAS</i>	Profit attributable to ordinary shares		
33.70(a)		<u>2022</u>	<u>2021</u>
	Profit (loss) for the period	(4,215,117)	(153,870)
	Dividends for unredeemed preference shares	-	-
	Profit (loss) attributable to ordinary shares	<u>(4,215,117)</u>	<u>(153,870)</u>

<i>IAS</i>	Weighted average number of ordinary shares		
33.70(b)		<u>2022</u>	<u>2021</u>
	Ordinary shares issued on 1 January	11,422,919	11,422,919
	Effect of own shares held	-	-
	Effect of share options exercised	-	-
	Weighted average number of ordinary shares at 31 December	11,422,919	11,422,919

<i>IAS</i>	Profit attributable to ordinary shareholders		
33.70(a)	(diluted)	<u>2022</u>	<u>2021</u>
	Profit attributable to ordinary shareholders (basic)	(4,215,117)	(153,870)
	Interest expense related to convertible bonds after tax		
	Profit attributable to ordinary shareholders (diluted)	<u>(4,215,117)</u>	<u>(153,870)</u>

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26. Earnings per share (continued)

<i>IAS 33.70(b)</i> Weighted average number of ordinary shares (diluted)	2022	2021
Weighted average number of ordinary shares (basic)	11,422,919	11,422,919
Effect of conversion of convertible bonds	-	-
Effect of share options issued	-	-
Weighted average number of the ordinary shares (diluted) at 31 December	11,422,919	11,422,919
Earnings per share	(0.37)	(0.01)

27. Loans

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

As of December 31, 2022, the Company did not have bank loans in the balance, as it did not have as at December 31, 2021.

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

<u>Explanations guarantees</u>	2022	2021	
	RON	RON	
Land	584,951	584,951	BRD
Buildings	6,781,477	6,781,477	BRD
Receivables	47,554,409	44,479,708	BRD
Pledge (collateral deposit)	1,985,023	2,183,107	BRD

1. On 31st of December 2022 society have approved a single overall limit to BRD guaranteed as stated below.

2. Buildings have been evaluated and taken as warranty at the following market value:

- 2013 - 1,733,000 EUR (* 4.4847 RON/EUR= 7,771,985 RON)
- 2014 - 1,733,000 EUR (* 4.4351 RON/EUR= 7,686,000 RON)
- 2014 - 640,204.14 EUR (* 4.4821 RON/EUR= 2,869,459 RON)

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

27. Loans (continued)

- 2015 - 1,615,300 EUR (* 4.5245 RON/EUR=7,308,424 RON)
 - 2016 – 1,512,800 EUR (* 4.5411 RON/EUR=6,869,776 RON)
 - 2017– 1,512,800 EUR (* 4.6597 RON/EUR=7,049,194 RON)
 - 2018 - 1,512,800 EUR (* 4.6639 RON/EUR=7,055,548 RON)
 - 2019 - 1,512,800 EUR (* 4,7793 RON/EUR = 7,230,125 RON)
 - 2020 - 1,512,800 EUR (*4,8694 RON/EUR = 7,366,428 RON)
 - 2021 – 1,512,800 EUR (4.9481 RON/EUR = 7,485,486 RON)
 - 2022 – 1,500,000 EUR (*4,9474 lei/EUR = 7,421,100 RON)
3. Receivables -value of letters of credit that will be charged by the concerned bank (BRD):
- 2013 - 3,566,760 EUR (* 4.4847 RON/EUR= 15,995,848 RON)
 - 2014 - 2,213,440 EUR (* 4.4821 RON/EUR= 9,920,859 RON)
 - 2015 - 4,472,000 EUR (* 4.5245 RON/EUR= 20,233,564 RON)
 - 2016 - 2,480,000 EUR (* 4.5411 RON/EUR=11,261,928 RON)
 - 2017- 0 EUR (* 4.6597 RON/EUR= 0 RON)
 - 2018—1,745,000EUR (*4.6639 RON/EUR=8,138,506 RON) + assignment
receivables 11,197,000EUR*4.6639=52,221,688 RON
 - 2019 - 2,310,000 EUR (* 4,7793 RON/EUR = 11,040,183 RON) + assignment
receivables 9,842,730 EUR * 4.7793 = 47,041,359 RON
 - 2020 - 0 EUR
 - 2021 – 0 EUR
 - 2022 – 2,165,500 EUR (*4.9474 lei/EUR = 10.711.121 RON)
4. Pledge on a deposit in the amount of 401,201 EUR BRD, plus accrued interest of:
- 2013 - 589,000 EUR (* 4.4847 RON/EUR= 2,641,488 RON)
 - 2014 - 589,000 EUR (* 4.4821 RON/EUR= 2,639,957 RON)
 - 2015 - 642,714.64 EUR (* 4.5245 RON/EUR=2,907,962 RON)
 - 2016 – 400,000 EUR (* 4.5411 RON/EUR=1,816,440 RON)
 - 2017- 400,600 EUR (* 4.6597 RON/EUR=1,863,80 RON)
 - 2018 - 401,000 EUR (* 4.6639 RON/EUR = 1,870,227 RON)
 - 2019 - 401,201 EUR (* 4.7793 RON/EUR = 1,917,460 RON)
 - 2020 - 401,201 EUR (* 4.8694 RON/EUR = 1,953,608 RON)
 - 2021 – 401,201 EUR (* 4.9481 RON/EUR = 1.985.183 RON)
 - 2022 – 401,201 EUR (* 4,9474 lei/EUR = 1.985.022 RON)

Through the credit agreement no.70/31.07.2013 and addendum no.11/30.06.2022, BRD-GSG Orsova granted the Company a credit facility in the form of an unconfirmed global ceiling, multi-options and multi-currency, amounting to EUR 1,500,000 (one million five hundred thousand), valid until 30.06.2023 and a ceiling for covering the foreign exchange risk in the amount of USD 2,069,000.

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27. Loans (continued)

The overall unconfirmed limit has several sub-limits, as mentioned below, provided that the maximum value of sub-limits does not exceed in any moment the total amount of 1,500,000 EUR limit.

- Unconfirmed and bi-currency credit line facility in value of maximum 1,500,000 EUR, usable in the following currencies: RON and EUR;
- Facility for issuing letters of guarantee ("SGB facilities") - a maximum of 1,500,000 EUR, usable in the following currencies: RON and EUR, with an issuing date valid until 30.06.2023. Validity of guarantee letters issued shall not exceed 24 months from the issue date;
- Facility for the letters of credit opening – amounted to 500,000 EUR with maturity for 24 months.

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

28. Leases' liabilities

Financial leasing contracts

As of December 31 2022, the Company has not concluded financial leasing contracts.

Operating leases

The total commitments included in the leasing contract concluded with the National Company for the Administration of Maritime Ports Constanta as of December 31, 2022, recognized in accordance with IFRS 16, is RON 1,140,051. When updating the leasing payments at the end of 2022, as the company has no other loans contracted, it used the monetary policy interest rate of the BNR, of 6.75%.

The maturity of the leasing liabilities is as follows:

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Initial year	-	-	-
Year 1	-	-	502,135
Year 2	-	525,239	512,270
Year 3	568,917	568,917	522,610
Year 4	634,972	580,401	533,159
Year 5	505,078	442,976	406,920
Total	1,708,967	2,117,533	2,477,094
Debt balance 31 december	1,140,051	1,592,294	1,974,959
Long term	505,079	1,023,377	1,462,689
Short term	634,972	568,917	512,270

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

29. Employee benefits

a) The 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 - 31 December 2022 was in the amount of 597,996 lei (587,889 lei in 2021), in accordance with the provisions of the Articles of Incorporation and the remuneration policy of the Company.

In 2022, the variable remuneration was not granted to the directors and the general manager.

The company did not grant advances or credits to directors or directors during the financial year ended 31 December 2022.

Wage expenses

	Financial year ended at <u>31 December 2022</u> RON	Financial year ended at <u>31 December 2021</u> RON
Administrators	597,996	587,889
Directors	1,188,461	1,277,082
	1,786,457	1,864,971

As for the Board of Directors, there were no changes in its composition during 2022. Thus, the component of the Board of Directors, as it resulted from the expression of the shareholders' votes, starting with 28.12.2021, is the following:

- 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

The allowances and other rights granted to the administrators are provided for in Art. 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 April 15,

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Reference NOTES TO SEPARATE FINANCIAL STATEMENTS IN ACCORDANCE WITH IFRS

29. Employee benefits (continued)

2022, and the salary and other rights due to the Director General were established by the Board of Directors, within the limits provided for in art. 22 of the Articles of Incorporation and, respectively, of the Mandate Contract concluded between the Board of Directors and the Director General. The mandate of the current Board of Directors ends on December 28, 2025 and that of the General Director ends on 09.11.2026.

Salaries payable due at period end:

	<u>31 December 2022</u>	<u>31 December 2021</u>
	RON	RON
Administrators	29,154	28,744
Directors	30,031	32,974
	59,185	61,718

b) Employees

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

	Financial year ended at <u>31 December 2022</u>	Financial year ended at <u>31 December 2021</u>
Administrative staff	44	45
Direct productive staff	237	227
Indirect productive staff	61	87
	342	359

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Reference NOTES TO SEPARATE FINANCIAL STATEMENTS IN ACCORDANCE WITH IFRS

30. Provisions

		<u>Warranty</u>	<u>Employee benefits</u>	<u>Litigations</u>	<u>Other Provisions</u>	<u>Total</u>
<i>IAS 37.84(a)</i>	Balance at January 1, 2022	-	<u>147,916</u>	<u>531,210</u>	<u>352,889</u>	<u>1,032,015</u>
<i>IAS 37.84(b)</i>	Provisions recognized during the current period	-	145,527	424,825	578,030	1,148,382
<i>IAS 37.84(c)</i>	Reversal of provisions during the current period	-				
<i>IAS 37.84(d)</i>	Complete reversal of provisions during the current period	-	147,916		352,889	500,805
<i>IAS 37.84(a)</i>	Balance at December 31, 2022	-	<u>145,527</u>	<u>956,035</u>	<u>578,030</u>	<u>1,679,592</u>

Provisions for employee benefits

As of 31 December 2022, the company had established provisions for employees' retirement benefits in the amount of 145,916 lei (147,916 lei as at 31 December 2021).

IAS 1.125

Litigation

On December 31, 2022, the Company has set up a provision for disputes in the amount of 956,035 lei, representing interse damages requested by the former president of the Board of Directors of the Company - Mr. Fercală Mihai and by a former member of the Board of Directors - Mr. Pantea Marius Ioan, for dismissal from his positions, before the expiry of his mandate.

The action of Mr. Fercală Mihai was brought in November 2020, and the court of first instance, by civil sentence no.14 / 23.02.2021, rejected as unfounded the Summons Request and ordered the applicant to pay the amount of 21,331 lei as court costs in favor of our Company. Against the decision of the court of first instance, Mr. Fercală Mihai filed an appeal that was admitted by the Civil Decision no.596/ 11.10.2021 pronounced by the Craiova Court of Appeal, in the sense of admitting the summons with the consequence of ordering the Orsova Shipyard to pay the amount of 531,210 lei, the payment of the legal penalty interest in the amount of 3,852.65 lei, as well as the court costs in the total amount of 32,540 lei. Against the decision of the court of appeal, the Orsova Shipyard filed an appeal and the High Court of Cassation and Justice, admitted the appeal and sent the file back for retrial to the Craiova Court of Appeal.

On February 7, 2023, the Craiova Court of Appeal rejects Mr. Fercală Mihai's appeal as unfounded and orders the appellant to pay to the company the amount of 70,336.80 lei as court costs.

The action of Mr. Pantea Marius Ioan was brought in June 2022. By civil judgment no.806/05.12.2022, the court of first instance rejected as unfounded the Summons Request and ordered the applicant to pay the amount of 21,331 lei as court costs in favor of our Company. Against the decision of the court of first instance, in January 2023, Mr. Pantea Marius Ioan appealed.

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

30. Provisions (continued)

Other provisions

The company had established on December 31, 2022 provisions for unpaid leave in the amount of 578,030 lei (2020: 352,889 lei).

31. Trade payables and other liabilities

	<u>2022</u>	<u>2021</u>
	RON	RON
Trade payables - short term	17,623,350	5,195,741
- <i>Supplier debts</i>	<i>1.285.352</i>	<i>1.790.553</i>
- <i>Advances received from customers</i>	<i>16.337.998</i>	<i>3.405.188</i>
Social security and other taxes	1,104,492	1,334,918
Suppliers - invoices to be received	1,103,355	734,891
Other creditors	1,833,827	1,138,618
Commercial debts – long term (leasing, guarantees)	555,829	1,047,860
Total	<u>22,220,853</u>	<u>9,452,028</u>

Short-term commercial debts mainly relate to payment obligations to suppliers and advances received from customers, both types of obligations increasing compared to the previous year. Thus, according to the production schedule, the company made a larger volume of acquisitions, mainly raw materials and materials, but at the same time collected advances from customers, in accordance with the contractual provisions.

32. Financial instruments

General presentation

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

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

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

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

32. Financial instruments (continued)

The general risk management

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

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

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

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

Credit risk

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

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

Credit risk exposure

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

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

	<u>Note</u>	<u>2022</u>	<u>2021</u>
		RON	RON
Trade receivables	22	1,616,760	19,818,759
Cash and cash equivalents	24	8,852,408	14,365,368

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Reference NOTES TO SEPARATE FINANCIAL STATEMENTS IN ACCORDANCE WITH IFRS

32. Financial instruments (continued)

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

	<u>2022</u>	<u>2021</u>
	RON	RON
Internal market	1,399,003	720,189
USD area	-	-
EUR area	217,757	19,098,570
	<u>1,616,760</u>	<u>19,818,759</u>

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

	<u>2022</u>	<u>2021</u>
	RON	RON
Wholesalers	-	-
Retailers	-	-
Final consumers	-	-
Others	1,616,760	19,818,759
TOTAL	<u>1,616,760</u>	<u>19,818,759</u>

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

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32. Financial instruments (continued)

CLIENT / BENEFICIARY	YEAR 2022	YEAR 2021
Rensen Driessen Shipbuilding B.V. (NL)	77.07%	67.76%
TEAMCO BV (NL)	-	14.02%
GEFO GESELLSCHAFT FUR OEL TRANSP	22,93%	-
VEKA Shipbuilding B.V. (NL)	-	17.88%
ASTO BV (NL)	-	0.34%
TOTAL	100%	100%

In the financial year 2022, the deliveries of ships built in Orsova were concentrated on 2 customers (Rensen Driessen Shipbuilding B.V. and Gefo Gesellschaft fur Oel Transp.), and as a share it is noted that Rensen Driessen Shipbuilding B.V. maintains its dominant position in total deliveries (77.07%).

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

Receivables Allowances

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

	Depreciation	Gross Value	Depreciation	Gross Value
	2022	2022	2021	2021
	lei	lei	lei	lei
Before due		1,232,524		14,704,039
Overdue from 30 days -1 year		217,616		4,948,100
Overdue from more than one year or litigious	(166,620)	166,620	(166,620)	166,620
Total	(166,620)	1,616,760	(166,620)	19,818,759

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

32. Financial instruments (continued)

Liquidity risk

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

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

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

Variable rate loans	2022	2021
Up to 1 year	-	-
Between 1 and 5 years	-	-
Over 5 years	-	-

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

Şantierul Naval Orşova S.A.

Separate financial statements 2022 in accordance with IFRS as adopted by EU

Reference NOTES TO SEPARATE FINANCIAL STATEMENTS IN ACCORDANCE WITH IFRS

32. Financial instruments (continued)

IFRS 7.34 *Exposure to currency risk*

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

	2022		2021	
	EUR	USD	EUR	USD
	lei	lei	lei	lei
Trade receivables	-	-	-	-
Guaranteed bank loans	-	-	-	-
Trade payables	15,839,652	-	4,123,172	-

In 2022, against the background of the depreciation of the leu and the oscillating evolution of the leu/euro parity, the Company concluded new hedging transactions with derivatives to prevent exposure to foreign exchange risk.

The exchange rates of the national currency in relation to EUR, USD, calculated as an average of the exchange rates recorded during the reporting year and the previous year, as well as the exchange rates communicated by the National Bank of Romania on the last day of the year, were:

Currency	Average rate		Spot rate at the reporting date	
	2022	2021	2022	2021
RON				
EUR	4,9315	4.9204	4,9474	4.9481
USD	4,6885	4.1604	4,6346	4.3707

a. Interest rate risk

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

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

32. Financial instruments (continued)

b. Capital management

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

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

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

	<u>2022</u>	<u>2021</u>
	RON	RON
Total liabilities	27,934,742	14,840,177
Cash and cash equivalents	8,852,408	14,365,368
Total shareholders' equity	<u>105,918,714</u>	<u>103,606,604</u>

33. Contingent assets and contingent liabilities

a. Litigation and disputes

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

b. Taxation

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

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

33. Contingent assets and contingent liabilities (continued)

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

c. Restructuring

In 2022, the company did not carry out layoffs. However, there is a decrease in the average number of employees by 4.7%, compared to the previous year (2022:342 employees, 2021: 359 employees). At the time of preparation of the financial statements, the company does not have a plan for the restructuring of personnel.

d. Administrators remuneration

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

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

e. Onerous contracts

An onerous contract is a contract entered with another party under which the unavoidable costs of fulfilling the terms of the contract exceed any revenues expected to be received from the goods or services supplied or purchased directly or indirectly under the contract and where the entity would have to compensate the other party if it did not fulfill the terms of the contract. These unavoidable costs reflect the least net cost of exiting the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfill it. As at 31 December 2022, the Company had no onerous contracts.

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

33. Contingent assets and contingent liabilities (continued)

f. The contingent liabilities related to the environment

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

g. Insurances

At the end of 2022, the Company has concluded insurance policies for owned vehicles and tangible assets pledged and mortgaged.

For the year 2022 the company has taken out group insurance for employees , partly for the administrators, and for the general manager.

h. Transfer price

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

i. Warranty letters

On 31.12.2022, one of the banks through which the commercial operations are carried out, BRD, had issued for our company two letters of guarantee in the amount of 467,181.24 lei, in favor of the National Company for the Administration of Maritime Ports Constanta.

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

33. Related parties

In January 2022, Societatea de Investitii Financiar Transilvania S.A (SIF Transilvania) changed its name, according to the decision of the extraordinary general meeting of shareholders dated 28.01.2022, from S.I.F. Transilvania S.A. Brasov to Transilvania Investments Alliance S.A. Brasov.

It holds 49.9998% of the share capital of The Orsova Shipyard S.A. and is a closed-end financial investment company, self-managed in a two-tier system by a directorate, under the control of a Supervisory Board, being classified in the category "Other collective investment undertakings (A.O.P.C.), with a diversified investment policy" and is authorized as a Manager of Alternative Investment Funds (A.F.I.A.).

Transilvania Investments Alliance S.A. has its administrative headquarters in Brasov, Str. Nicolae Iorga, Nr.2, is registered with ORC Brasov under no. J 08/3306/1992 and is identified by the unique registration code (CUI) No. 3047687.

The share capital of Transilvania Investments Alliance S.A., amounting to RON 216,244,379.70, is composed of 2,162,443,797 registered, common shares, issued at the face value of RON 0.1/share, being traded at B.V.B., as of November 1st, 1999.

The investment portfolio of Transilvania Investments Alliance S.A. is made up of shares held in listed companies, as well as unlisted in various fields of activity: tourism, finance, machine building industry, a group of which the Orsova Shipyard SA is a part, other branches of the national economy, banks, insurances.

Transilvania Investments Alliance S.A. aims to manage the investments in the portfolio and to permanently identify investment opportunities, under the conditions of ensuring a reasonable level of investment risk dispersion, in order to offer shareholders the possibility of obtaining attractive performances, while increasing the invested capital. The investment portfolio consists of shares, bonds and other financial instruments, the main sectors of activity in which the company holds stakes being tourism, the financial sector (banking and non-banking), the real estate and energy sectors.

The depository services of the financial instruments held in the portfolio are provided by BRD-Groupe Societe Generale, and the annual financial statements of the company are audited by the financial auditor (statutory) Deloitte Audit S.R.L. Bucharest.

Transilvania Investments Alliance S.A. is a member of the European Private Equity & Venture Capital Association (E.V.C.A.) based in Brussels, of the Association of Fund Managers in Romania (A.A.F.) and of the Brasov Chamber of Commerce and Industry.

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

34. Related parties (continued)

During the financial year ended December 31, 2022, the Company carried out transactions with affiliated entities (entities controlled by Transilvania Investments Alliance S.A.), as follows:

Acquisitions of goods and services

	<u>2022</u>	<u>2021</u>
	RON	RON
THR Marea Neagră	1,523	1,120
Romradiatoare Brasov	3.436	-
Aro Palace Brasov	267	-

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

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

35. Subsequent events

An important risk that appeared in the financial year 2020 and which also manifests itself in 2023 is the one related to the onset of the COVID-19 pandemic that affects human activity, but also the economic one. This situation, in addition to the energy crisis and the armed conflict taking place on the territory of Ukraine and the restrictions imposed at international level on the Russian Federation and Belarus, bring uncertainties in the economic and financial plan and implicitly determine the existence of a risk regarding the possibility of unpredictable developments regarding the level of economic and financial indicators budgeted by the Society, respectively the reconsideration of the aspects that were the basis for the estimation of the inventory values for the assets of the Company.

The separate financial statements were approved by the Board of Directors on March 9, 2023 and were signed by:

Administrator,
Ec. Radu Claudiu Rosca

Prepared by,
Ec. Marilena Vişescu

STATEMENT



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



STATEMENT

The undersigned Eng. Mircea Sperdea – general manager and Ec. Marilena Visescu – economic manager of Şantierul Naval Orşova SA company with head-office in the town of Orşova, no. 4 Tufări Street, Mehedinţi County, we state that according to our knowledge, the annual financial-accounting situation, corresponding to the year 2022 which was drawn up in compliance with the accounting standards applicable, offer an accurate and corresponding image of the real status of the assets, obligations, financial position, profit and loss management of the above mentioned company.

We stipulate that the company has no branch offices.

We set forth, as well, that the Annual Report of the Management Board of Şantierul Naval Orşova S.A. company drawn up for the year 2022, comprises an accurate analysis of the progress and performances of the company together with the main risks and uncertainties specific to the activity carried out.

General Manager,
Eng. Mircea Sperdea

Economic Manager,
Ec. Marilena Visescu

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

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INDEPENDENT AUDITORS' REPORT

(Free translation)*

To the Shareholders of
ȘANTIERUL NAVAL ORȘOVA S.A

Report on the Audit of the Financial Statements

Unmodified auditor's opinion

1. We have audited the accompanying separate financial statements of Șantierul Naval Orșova SA („the Company”), with headquarters in Orsova, Tufari Street, No. 4, identified by unique tax registration number RO1614734, which comprise the statement of financial position as at December 31, 2022, and the statement of profit or loss and other comprehensive income, statement of changes in equity, statement of cash flows and notes to separate financial statements for the year ended.

2. Separate financial statements at December 31, 2022, are identified as follows:

- Revenues:	59,414,021 RON
- Net profit:	(4,215,117) RON
- Total assets:	105,918,714 RON

3. In our opinion, the separate financial statements present fairly, in all material respects the financial position of the Company as at December 31, 2022, and its financial performance and its cash flows for the year then ended in accordance with Accounting Law no. 82/1991, republished, including subsequent amendments and additions, Order of the Minister of Public Finance of Romania no. 881/2012 on application by companies whose securities are admitted to trading on a regulated market of International Financial Reporting Standards and the Order of the Minister of Public Finance no. 2844/2016 for approval of the Accounting Regulations in accordance with International Financial Reporting Standards, including subsequent amendments and additions.

INDEPENDENT AUDITORS REPORT

Basis for unmodified auditor's opinion

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

Emphasis of matters

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

5.1. As it is presented at Note 32 *Financial Instruments* which present that 77.07% from Company turnover registered in financial exercise ended at December, 31 2022 is realised by commercial partner Rensen Driessen Shipbuilding B.V. (Nederland) (67.76% for year ended at December 31, 2021). This fact involve a commercial risk due the significant dependence by a single client.

5.2. Uncertainties caused by the war taking place on the territory of Ukraine and the restrictions imposed at international level on the Russian Federation and Belarus, and the energy crisis implicitly determine the existence of a risk regarding the possibility of unpredictable developments regarding the level of economic and financial indicators budgeted by the Society, respectively the reconsideration of the aspects that were the basis for the estimation of the inventory values for the assets of the Company. The management of the financial situation of the Company depends on the way in which the management approaches the future socio-economic events and conditions present in the difficult environment in which it operates.

Key audit matters

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

INDEPENDENT AUDITORS REPORT

i) Revenue recognition

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

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

ii) Inventories evaluation

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

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

Other Information – Management Report and the Remuneration Report

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

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

In relation to the audit of the individual financial statements for the year ended at December, 31st 2022, it is our responsibility to read that other information and, in doing so, to assess whether that other information is materially inconsistent with the financial statements or with this knowledge that we obtained during the audit whether they appear to be significantly denatured.

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

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

- a) The information presented in the Directors' Report for the financial year for which the

INDEPENDENT AUDITORS REPORT

financial statements have been prepared is consistent, in all significant aspects, with the financial statements;

- b) Directors' Report has been prepared in all significant aspects in accordance with Order of the Minister of Public Finance no. 2844/2016 for approval of the Accounting Regulations in accordance with International Financial Reporting Standards, chapter III, points 15-20;

In addition, based on our knowledge and understanding of the Company and its environment, acquired during the audit of the separate financial statements for the year ended December, 31st 2022, we are required to report whether we have identified significant misstatements in the Directors' Report. We have nothing to report on this issue.

8. Regarding the Remuneration Report for the financial year ended at December 31, 2022, we verified whether the information provided by the Company's management is in accordance with art. 107 of Law no. 24/2017 on issuers of financial instruments and market operations as amended and supplemented ("Law No. 24/2017") applicable to entities whose shares are listed on a regulated market and we report that it provides, in all material aspects, the information demands by Law no. 24/2017, art. 107.

Other matters

9. We mention that our duty was limited strictly to the realization of the statutory audit regarding the separate financial statements of the Company at December 31st, 2022, not being assigned to perform the audit of the consolidated financial situations if it was the case.

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

INDEPENDENT AUDITORS REPORT

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

Responsibility of management and those responsible for governance for financial statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

INDEPENDENT AUDITORS REPORT

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

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

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

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

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

Report on Other Legal and Regulatory Requirements

Requirements for audits of public interest entities

20. We were appointed by the General Meeting of Shareholders at the date of 15 April 2022, as a result of a public selection of tenders in the statutory audit, for the audit of the financial statements of the Company for the financial year ended on 31 December 2022. The total uninterrupted period of our commitment is 18 years, covering the financial years from 31 December 2005 to 31 December 2022.

We confirm that:

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

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

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

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

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

This responsibility includes:

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

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

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

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

INDEPENDENT AUDITORS REPORT

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

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

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion. In our opinion, the financial statements for the year ended 31 December 2022 included in the annual financial report presented in the Digital Files comply, in all materials respects, with the requirements of ESEF.

In this section, we do not express an audit opinion, review conclusion or any other assurance conclusion on the financial statements. Our audit opinion relating to the financial statements of the Company for the year ended 31 December 2022 is set out in the "Report on the audit of the financial statements" section above.

Timișoara, March 15, 2023

On behalf of

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

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

Dr. Bunget Ovidiu Constantin

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