

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 31.12.2023

Date of the Report: 12th of March 2024

- 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: 254900UXAJ8TPIKLXG79
- 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 2023 was marked by the inflation existing in the general economical field yet also by the geopolitical evolutions caused by the war from Ukraine. Nevertheless, the financial results were situated above 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 increased by 80,37% in comparison to the year 2022 turnover and carried out at the head-office in Orsova, withheld a percentage of 84,82% out of the turnover for the year 2023, most of the ships being exclusively designed for intra-community supplies.

During the year 2023, the activity which highly contributed to the turnover at Agigea branch consisted in repairing sea/river ships (71,40%). Out of the 5 barges in the patrimony of the branch, only 2 barges could be rented during the year 2023. The branch's turnover has known an increase since the previous year, by 40,73% which also caused a decrease in its total turnover by 3,01% (from 16,46% during 2022 to 13,45% during 2023).

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 2023.

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 2023, 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 2023):

- total income, out of which: 100.636.685 lei
 - Agigea Branch 13.596.202 lei
- total costs 96.754.988 lei
 - out of which Agigea Branch 12.141.423 lei
- gross profit, out of which: 3.881.697 lei
 - Agigea Branch 1.454.779 lei
 - Orsova headquarters 2.426.918 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 31.12.2023, the company's available funds in accounts amounted to 18.439.518 Lei, out of which:
 - 9.221.820 lei in the Lei account
 - 9.205.020 lei in the foreign currency accounts
 - 9.264 lei, petty cash
 - 3.414 lei other values

The main characteristics of the year 2023, 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 2023 and also to preserve an increased level of efficiency to the head-office.
- An increase in the activity from Agigea Branch in comparison to the previous years was noticed subsequently mainly because of the ships' repair activities, income becoming predominant over the branch's turnover which was sufficient to cover the operating costs.
- Our good name which our company has on the shipbuilder market in Europe, highly contributed to obtaining new orders.

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, at present there are in progress of completion of the modernization/repairing works for Agigea's slipway.

In the year 2023, for the head-office in Orşova, several welding machines, effective and automate were procured, a 47 t crane, an exhaustore ventilator and a compressor with screw, a cross-cut shear, a software for 3 D mold. 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 and blasting equipment, a caterpillar and a compressor.

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 Orşova 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 65% from the turnover for the year 2023;
- 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 means 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 2023 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 2024, and also during the years to come. In terms of ships' constructions, China owns 46,59% of the global market and is the biggest constructor, South Korea ranks the second with 29,24% and Japan occupies the third place with 17, 25%.

The United States have a capacity of 0,13%.

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 2023, 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.

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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
•PENTAGON SRL TECUCI:	grinding stones
•NIMFA COM SRL BUC.:	pipes and various profiles
•MIRAS INTERNATIONAL TARGOVISTE	various profiles
•INOX METAL	pipes and various profiles
•DAMILA	pipes, steel
•PLASMASERV	welding consumable
•EURONERA DISTRIBUTION	gloves, screens, safety goggles, filters

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

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

The subcontracting of certain specific operations carried on also during the year 2023, 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
- DIAGEO	for the ships' repair;
- BERG BANAT	zinc coating

1.1.4 Assessment of sales activity

Turnover knows per total an increase by 72,26 %, from the previous year because of the decrease from the income of the ships' building activity. These incomes have increased by 80,37% while the income from the ships' repair activity have known an increase – by 14,43% from the year 2022. 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 the repair of ships, at Agigea Branch.

All 6 vessels finalized and delivered from Orsova in 2023 were scoped to be delivered to the intra-community market. We mention that during 2023, a RoRo pontoon was built for an internal client.

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

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<u>CLIENT / BENEFICIARY</u>	<u>YEAR</u> <u>2021</u>	<u>YEAR</u> <u>2022</u>	<u>YEAR</u> <u>2023</u>
Rensen Driessen Shipbuilding B.V. (NL)	67,76%	77,07%	38,59%
Gebr De Jonge (NL)	-	-	39,49%
GEFO GESELLSCHAFT FUR OEL TRANSP. (DE)	-	22,93%	12, 82%
BLACK SEE	-	-	9,10%
VEKA SHIPBUILDING B.V.(NL)	17,88%		
TEAMCO BV	14,02%	-	-
ASTO B.V.	0,34%	-	-
TOTAL	100%	100%	100%

Although in the last years, the company Rensen Driessen has been on the first position regarding the amount of the deliveries, during 2023, the situation changed. Thus, the company Gebr De Jonge is the one which, according to the value of the completed contracts, occupies the first positions with regards to the amount of deliveries, provided that we delivered for this company 2 ship bodies and for Rensen Driessen Shipbuilding B.V. there were delivered 3 ship bodies.

The contractual payment terms were ensured either through advance payments from 10% up to 70% and payment of the difference through letter of credits, respectively the payment of the difference after the ships' delivery to their destination.

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. The production increase in the year 2023, also meant a larger workforce requirement. Thus, 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 but also to ensure the necessary manpower to realize the production contracted for the year 2023.

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;
- There are still difficulties in the occupation of positions;
- Not on the last place it is a growth of working force fluctuation.

Nevertheless, during the year 2023, the number of staff decreased by 1,46% in comparison to the year 2022.

The average number of employees throughout 2023 is 337 employees compared to 342 employees in the previous year. As of 31.12.2023, the number of employees was of 344, out of which 303 at the headquarters in Orșova and 41 at the Agigea Branch.

Out of the total number, as of 31.12.2023, the situation per activity sectors is as following:

- 342 – industrial activity
- 1 – canteen activity
- 1 – medical activity

The structure is as following:

- 46 – technical, financial, professional and administrative staff, out of which:
 - 41 – employees in Orsova (out of which 32 with higher studies);
 - 5 – employees in Agigea (out of which 5 with higher studies).
- 4 foremen, out of which 4 in Orsova;
- 294 workers, out of which:
 - 258 employees in Orsova;
 - 36 employees in Agigea.

Personnel structure in terms of gender is as follows:

- men – 291 persons (300 in the previous year);
- women - 53 persons (49 in the previous year).

During the year 2023, a number of 63 new employees and 69 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 70,64 %.

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 2023, 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 Şantierul 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 Şantierul 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 environment protection, 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 92/2021 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.

During 2023, the company fulfilled all the obligations resulting from the Environment Permit no. 21/27.02.2013, revised on 27.11.2023, valid up to the present date, approved by the National Agency for Environment Protection Mehedinţi for the period 27.02.2024-27.02.2025, 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, 4 during the year 2023, that are without any measure of correction during 2023).

1.1.7 Assessment of research and development activities

Just as in the previous years, during 2023 the company did not record any research and development expenses, and for 2024 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 2023, 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 2023, the company made some small transactions for covering the currency risk (hedging). These operations with derivates 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 2023 from such operations to be of approximately 260 thousand of lei.

Also, to assure a better security of informatics system and data basis, company was focused on this aim and was careful to avoid any vulnerability of the cybernetic system that might create significant issues to the companies.

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

1.1.9 Perspectives on the company's activity

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The year 2024, 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 2024 which assure the covering of production capacity 90,46%. 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, at the end of 2023, there were 6 ships (hydro-clap barges, floating cranes, which are described at section 2.1 b of this report); because of the economic and political context, during the year 2023, they were only 2 rented – the rental contracts progressing also during the year 2024, and at present the branch makes efforts to find new solutions for contracting/renting also the others. With regards to the floating crane, at the beginning of 2024, the Management Board of the company has approved its cassation and valuing of the recoverable materials (iron waste). As well, the branch avails of the necessary endowments and capacities in order to execute construction and repair work of ships, the ships' repair activity increasing in comparison to 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 2024 on an amount of income, expenses and profit that are higher to the one accomplished during the year 2023 (increase 2,56%).
- The efforts to reduce the production costs will be carried on so that the company becomes more competitive;
- the company also intends for 2024 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 (turning functional the welding robot contracted during 2023);
 - o Purchase of auto-crane of 47 to;
 - o IT equipment, software updates;
 - o Purchase of ventilation systems and gas detection equipment
 - o Purchase of machinery and equipment for mechanical cutting;
 - o Modernization of technical platforms, inner roads and buildings
 - o Modernization of the buildings which are the branch's patrimony;
 - o Modernization and cleaning of the production workshops, of the administrative and social spaces
 - o Purchase of a weigh-scale.

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 2023, 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 Orșova, 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 t 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 and one compressor with screw;
- 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 reclassified as real estate investment. 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 until the year 2038 yet this contract includes clauses concerning the renegotiation of the fee every 5 years and a rental value which is indexed every year.

Main fixed assets owned by the Branch are the same as in the previous years, mentioning that within the year 2023 were carried on a series of expenses for purchasing new equipment.

Regarding the slipway, within year 2015 was done the first stage of replacing damaged railways, in the year 2016 was solved problem of traction system for vessels launching, improvement action continues also along 2017 and 2018. In 2019, the investment plan considered also the replacement of the wedge bogies at this stowage. The 14

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DENOMINATION	BALANCE AS OF 31.01.2023	BALANCE AS OF 31.12.2022
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bogies which must be replaced were fabricated in the year 2019. Up to the end of 2023, 7 bogies were replaced, the replacement of the others 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;
- washing and blasting equipment;
- caterpillar;
- compressor;
- 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 31.12.2023, 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 31.12.2023, after re-assessment is presented below:

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LAND	1.201.941	1.201.941
CONSTRUCTIONS	17.706.276	19.796.944
TECH. INSTAL. AND TRANSP. MEANS	15.468.827	15.430.898
OTHER INSTALL, EQUIP. AND FURNIT.	98.728	76.778
REAL ESTATE INVESTMENTS	2.981.964	1.033.196
ASSETS IN PROGRESS	1.402.835	1.220.026
TOTAL	38.860.571	38.759.783

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 2023; 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 31.12.2023 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 419.372,21 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 2023.

During the month of November 2023, significant changes occurred in the structure of the shareholders, in the sense that the shareholders from Transvania Investments Alliance S.A. and Infinity Capital Investments S.A. have sold completely their shares at our company to the companies Sea Container Services S.R.L, respectively SIF 4 Muntenia. We mention that during 2023, the company SIF 5 Oltenia changed their name, into Infinity Capital Investments S.A.

According to the last register of the shareholders requested to the Depozitare Central previous to the above stipulated changes, on the reference date of 03.07.2023, the structure of the shareholders is the following:

<u>Shareholders</u>	<u>Number of shares</u>	<u>Amount</u>	<u>Percentage</u>
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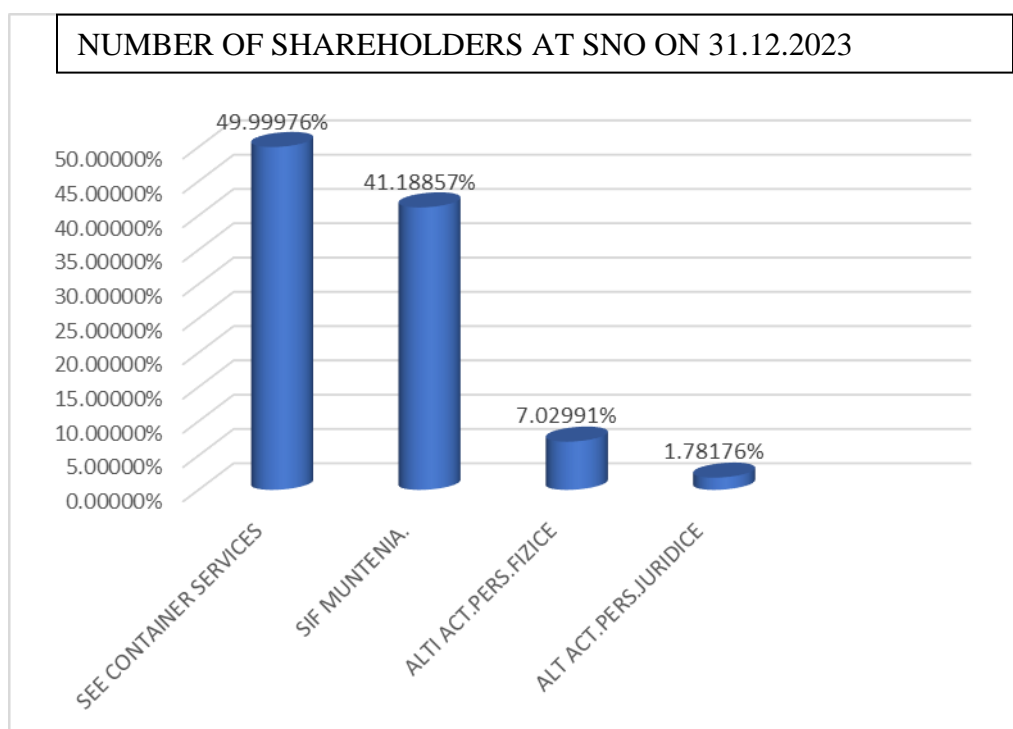
ANNUAL REPORT OF THE BOARD OF DIRECTORS FOR FINANCIAL YEAR 2023

Transilvania Investments Alliance	5.711.432	14.278.580	49,9998
Infinity Capital Investments S.A	3.200.337	8.000.843	28,0168
SIF 4 Muntenia	1.504.600	3.761.500	13,1717
Other shareholders natural persons	815.803	2.039.508	7.1418
Other shareholders legal persons	190.747	476.867	1,6699
	<u>11.422.919</u>	<u>28.557.298</u>	<u>100,000</u>

The structure of the shareholders on 31.12.2023 is the following:

Shareholders	Number of shares	Amount	Percentage
Sea Container Services S.R.L.	5.711.432	14.278.580	49,9998
SIF 4 Muntenia	4.704.937	11.762.343	41,1886
Other shareholders natural persons	803.021	2.007.553	7,0299
Other shareholders legal persons	203.529	508.822	1,7818
	<u>11.422.919</u>	<u>28.557.298</u>	<u>100,00</u>

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.

The company's shares are ordinary and indivisible.

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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).



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Published on TradingView.com, February 15, 2024 12:46:34 EET
BVB: SNO, M D: 5,2500 H: 7,0000 L: 5,2000 C: 6,9000



TradingView

According to the data shown on the BVB site, the variation range of the trading cost from the previous year was between 4,17 lei/share and 5,95 lei/share (increase by 42,92%). Related to the last 5 years, we notice that the smallest trading cost was registered at the beginning of December 2018 (2,3835 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.

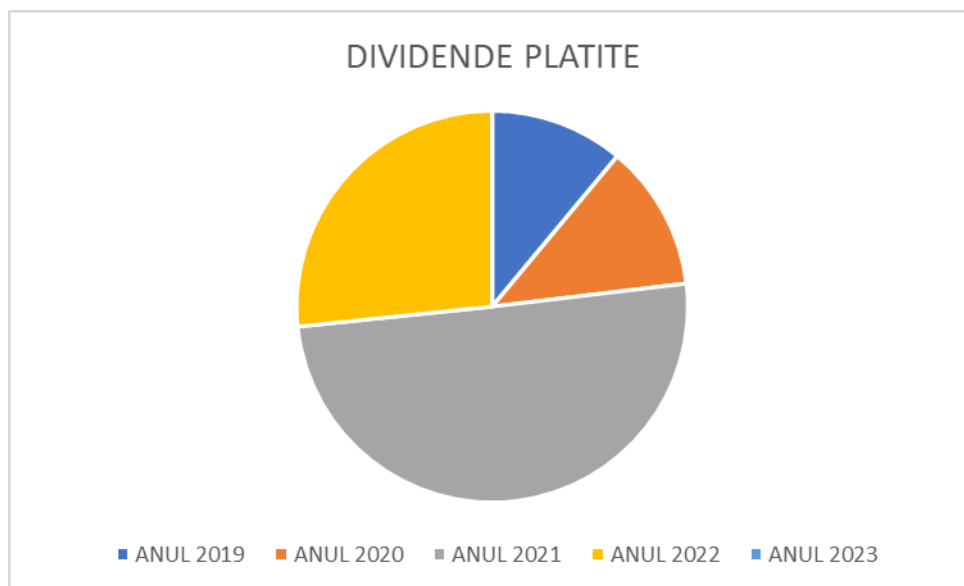
ANNUAL REPORT OF THE BOARD OF DIRECTORS FOR FINANCIAL YEAR 2023

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.
- during the year 2022, the company has no profit registered.

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
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
2023	-	-	-	-	-



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 2023 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 51, economist. On 31.12.2023, he did not own any shares, of the company's social capital;
- MISTER ENESCU RADU-VALENTIN – Romanian citizen, aged 54, engineer. On 31.12.2023, he did not own any shares, of the company's social capital;

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- MISTER SPERDEA MIRCEA-ION – Romanian citizen, aged 70, engineer. On 31.12.2023 owned a number of 12.000 shares, representing 0,11% of the company's social capital;
- MISTER ZOESCU MIHAI – Romanian citizen, aged 44, economist On 31.12.2023, he did not own any shares, of the company's social capital;
- MISTER MIHAI CONSTANTIN-MARIAN – Romanian citizen, aged 57, lawyer. On 31.12.2023 did not own any shares, of the company's social capital;

During the year 2023, certain changes have occurred in the structure of the Managing Board, thus:

- On 31.05.2023, Mr. Mircea Ion Sperdea resigned from the position as member of the Managing Board, the vacant position being temporarily occupied by Mr. Chindris Gheorghe, aged 63, double citizenship Romanian and American, engineer who did not own any shares of the company's social capital.
- On 16.11.2023, Mr. Enescu Radu Valetin and Chindris Gheorghe have resigned the mandates as administrators of the company, thus on the vacant positions, the Managing Board appointed temporarily as members the following: Mr. Ion Dumitru and Mr. Fainarea Marius.

The consistency of the Managing Board of the company on 31.12.2023 is the following:

- MISTER ROȘCA RADU-CLAUDIU – Romanian citizen, aged 51, economist. On 31.12.2023, he did not own any shares, of the company's social capital;
- MISTER ION DUMITRU – Romanian citizen, aged 74, economist. On 31.12.2023, he did not own any shares, of the company's social capital;
- MISTER FAINAREA MARIUS – Romanian citizen, aged 54, engineer. On 31.12.2023, he did not own any shares, of the company's social capital;
- MISTER ZOESCU MIHAI – Romanian citizen, aged 44, economist On 31.12.2023, he did not own any shares, of the company's social capital;
- MISTER MIHAI CONSTANTIN-MARIAN – Romanian citizen, aged 57, lawyer. On 31.12.2023 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 (14) in 2023, 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 2023 refer to:

- organizational measurements precursory to the General Meeting of Shareholders from 2023,
- 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 litigations in which the company is involved,
- 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 the contract for the procurement of a welding robot;

ANNUAL REPORT OF THE BOARD OF DIRECTORS FOR FINANCIAL YEAR 2023

- 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.
- Appointment of temporary members in the Managing Board.

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 November 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.

In August 2023, Mr. Lascu Adrian ceased any professional relationship with Santierul Naval Orsova SA – Agigea Branch, subsequently to his resignation, being temporarily appointed Mr. Marculescu Aurel, in the position of interim responsible for the brancg; until the date when the position was taken over, he was head of the CTC office in Orsova head-office.

On 31.12.2023 the executive management had the following structure:

- | | | |
|-------------------------|---|--|
| - Ing. Sperdea Mircea | - | General Manager |
| - Ec. Vişescu Marilena | - | Economic Director |
| - Ing. Stoinel Florin | - | Technical Manager for Production Preparation |
| - Ing. Marculescu Aurel | - | interim in charge at Agigea Branch |

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

We inform the shareholders that according to the legal provisions (amendment to Law no. 31/1990 – Company Law, republished), the company suspended the employment contract of the general manager as of 1 March 2011. The company, represented by the president of the Board of Directors – Mr Fercală Mihai - and Mr Mircea Ion Sperdea have concluded and signed a mandate agreement for 2 years and this one was extended successively as shown. This agreement refers to the fact that based on the delegation provided by the company's Board of Directors, the General Manager shall exert some of the management attributions of this body, to the extent permitted by the law and in order to fulfil the company's activities. As of 31.12 2023, Mr Sperdea Mircea held a number of 14.335 shares, representing 0.125 % of the share capital.

Miss Vişescu Marilena was employed at this company, during the year 1987, immediately after having graduated the Economical Sciences Faculty in Craiova, with specialization in finances -accounting, as economist. Starting with 01.11.1990, she was promoted to head of the accounting department until 30.06.2019 when she was promoted to economic director. On 31.12.2023, she owned a number of 10 shares at the company Santierul Naval Orsova SA.

Mr Stoinel Florin graduated the Mechanics Faculty of the Timisoara “Politehnica” University in 1995 and was immediately employed as an engineer with the Design Department of Șantierul Naval Orșova SA. During 01.10.1998 - 14.11.2005 he was the head of the Design Department within Șantierul Naval Orșova SA and on 15.11.2005 he was appointed technical manager in charge with preparation of the fabrication process. On 31.12.2023 he owned a number of 400 shares in Șantierul Naval Orșova SA.

Mr Lascu Adrian graduated the Ovidius University Faculty of Engineering in Constanta, with a major in Naval machinery and equipment 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 was also an interim responsible in charge of Agigea Branch until August 2023. Until his working contract ceased at this company, he did not own any shares in SNO.

Mr. Marculescu Aurel, graduated the Traian Vuia Politechnical Institute in Timisoara, sub-engineers Faculty in Resita, specialized in the Welding Technology. He has been employed in our company since 1985, in several positions. Starting with march 2023, he was appointed head of the CTC office. From August 2023 until 31.12.2023, he was also interim responsible for Agigea Branch. On 31.12.2023 he didn't own any shares at the company.

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 2023 this was amended again, namely Art. 22-(1) was amended.

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 ;

ANNUAL REPORT OF THE BOARD OF DIRECTORS FOR FINANCIAL YEAR 2023

- 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 5 non-executive members, 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, Infinity Capital Investments and SIF Muntenia), until the end of the year, the administrators were proposed/elected as being their representatives.

The temporary members appointed during the month of November 2023 are the representatives of the new shareholder Sea Container Service S.R.L.

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 2023 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 31.12.2023

According to IFRS, as of 31.12.2023, the financial position compared to the last 2 years is as following:

ANNUAL REPORT OF THE BOARD OF DIRECTORS FOR FINANCIAL YEAR 2023

<i>ASSETS, LIABILITIES, EQUITY</i>	<i>31.12.2023</i> <i>Lei</i>	<i>31.12.2022</i> <i>Lei</i>	<i>31.12.2021</i> <i>Lei</i>	<i>YEAR 2023/2022</i> <i>GROWTH/</i> <i>DECREASE (%)</i>
I. Total tangible assets, out of which:	37,457,736	37,539,757	36,968,667	(0.22)
- land and constructions	18,908,217	20,998,885	21,262,106	(9.96)
- technical installations and transportation means	18,450,791	16,464,094	15,641,959	12.07
- other tangible assets	98,728	76,778	64,602	28.59
II. Intangible assets	81,164	27,779	20,138	192.18
III. Tangible assets ongoing execution	1,402,835	1,220,026	3,564,578	14.98
IV. Real estate investment	606,447	596,638	522,236	1.64
IV. Other non-current assets	110,832	124,725	621,530	(11.14)
V. User rights of rented assets	495,806	1,109,377	1,559,962	(55.31)
A. TOTAL NON-CURRENT ASSETS	40,154,820	40,618,302	43,257,111	(1.14)
I. Inventories	28,967,886	50,813,700	22,400,725	(42.99)
II. Trade receivables and other receivables	12,089,896	1,987,659	20,330,881	508.25
III. Other short-term financial investments	6,495,815	3,485,023	3,087,107	86.39
IV. Cash and cash equivalents	11,943,703	8,852,408	14,365,368	34.92
V. Advance expenses	153,995	161,622	165,412	(4.72)
B. TOTAL CURRENT ASSETS	59,651,295	65,300,412	60,349,493	(8.65)
TOTAL ASSETS	99,806,115	105,918,714	103,606,604	(5.77)
I. Equity	28,557,298	28,557,298	28,557,298	0.00
II. Share premiums	8,862,843	8,862,843	8,862,843	0.00
III. Reserves	47,157,267	47,901,179	54,896,946	(1.55)

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<i>ASSETS, LIABILITIES, EQUITY</i>	<i>31.12.2023</i>	<i>31.12.2022</i>	<i>31.12.2021</i>	<i>YEAR 2023/2022 GROWTH/ DECREASE (%)</i>
	<i>Lei</i>	<i>Lei</i>	<i>Lei</i>	
IV. Result of the year	3,453,687	(4,215,117)	(153,870)	-
V. Reported result	(2,848,032)	892,220	941,454	-
VI. Other internal equity elements	(3,753,867)	(4,014,451)	(4,338,244)	(6.49)
C.TOTAL EQUITY	81,429,196	77,983,972	88,766,427	4.42
I. Liabilities related to deferred tax	3,775,937	4,031,923	4,352,333	(6.35)
II. Other liabilities	60.040	555,829	1,047,860	(89,20)
D. TOTAL LONG TERM LIABILITIES	3.835.977	4,587,752	5,400,193	(16,39)
I. Trade payables and other payables, including derivatives	13.884.794	21,665,023	8,804,168	(35,91)
II. Advance registered incomes	950	2,375	3,801	(60.00)
III. Provisions	655,198	1,679,592	1,032,015	(60.99)
E. TOTAL CURRENT LIABILITIES	14.540.942	23,346,990	9,439,984	(37,72)
TOTAL EQUITY AND LIABILITIES	99,806,115	105,918,714	103,606,604	(5.77)

Non-current assets: This category of assets, per total, has decreased by 0,22% from the previous year. Even though were carried out procurement of technological equipment and transport means for the modernization of the activity, in structure it is noticed certain loss of value because of amortization. With regards to the tangible assets under execution, an increase is registered at the end of the current year in comparison to the period corresponding to the previous year (by 14,98%) and refer to the assets put into operation at the beginning of the year 2024.

Intangible assets have increased by 192,18% ; the increase from the previous year is due to the procurement of a software for 3D molding.

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 55,31%) 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 a decrease by 42,99 %, from 31.12.2022. The predominant delivery during the year 2024 of raw material and also of the materials corresponding to the constructions to be finished during the

following year, yet also the decrease of the ongoing production (by 23,93%) have caused a more reduced level of stocks by the end of the year.

Trade receivables and other receivables A significant increase has been noticed in the trade receivables in comparison to the previous year (by 508,25%). At the end of 2023, the company had outstood current trade receivables and a significant part had been liquidated during the beginning of the year 2024. 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 as well a significant increase by 34,92 % against 2022, subsequently to having cashed-in advance payments and trade receivables towards the end of 2023.

Per total, the current assets have known an increase by 5,77%.

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, an increase by 4,42%. In structure, a decrease of the reserves has been noticed (by 1,55%) yet also because of other elements of own capitals (by 6,49%).

The provisions are situated at a level which is inferior to the year 2022 (decrease by 60,99%), mainly due to the retaking to income of the provisions for litigations, litigations for which they had been established in the first place, them being solved permanently in favor of the company. These aspects have been defined in detail under point 5.5.

The commercial debts and other debts have registered as well a decrease, by 35,91% from the year 2022, mainly due to the smaller procurement carried out in the last two months of the year 2023. We mention that the company, in compliance with the contractual provisions, has observed the payment due dates and has no outstanding obligations to the suppliers. Their sold represent they represent current debts, with due dates in the following period. With regards to the decrease registered under the position Other long term debts (by 89,20%), this refers to the leasing debt.

Per total, the internal capitals and the debts have known a decrease by 5,77%.

5.2 PROFIT AND LOSS (COMPREHENSIVE INCOME)

During the year 2023, the company's performance was superior to the year 2022 and the financial situations were situated above 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 significant influence on the company's financial results. However, thanks to the prudent approach, the attention paid to optimizing production flows and increasing efficiency, the company's performance was superior to the last two years.

Thus, the turnover for the year 2023 has registered an increase from the previous year, by 72,26% and the gross loss registered by the company at the end of the year is amounting to 3.881.697 lei.

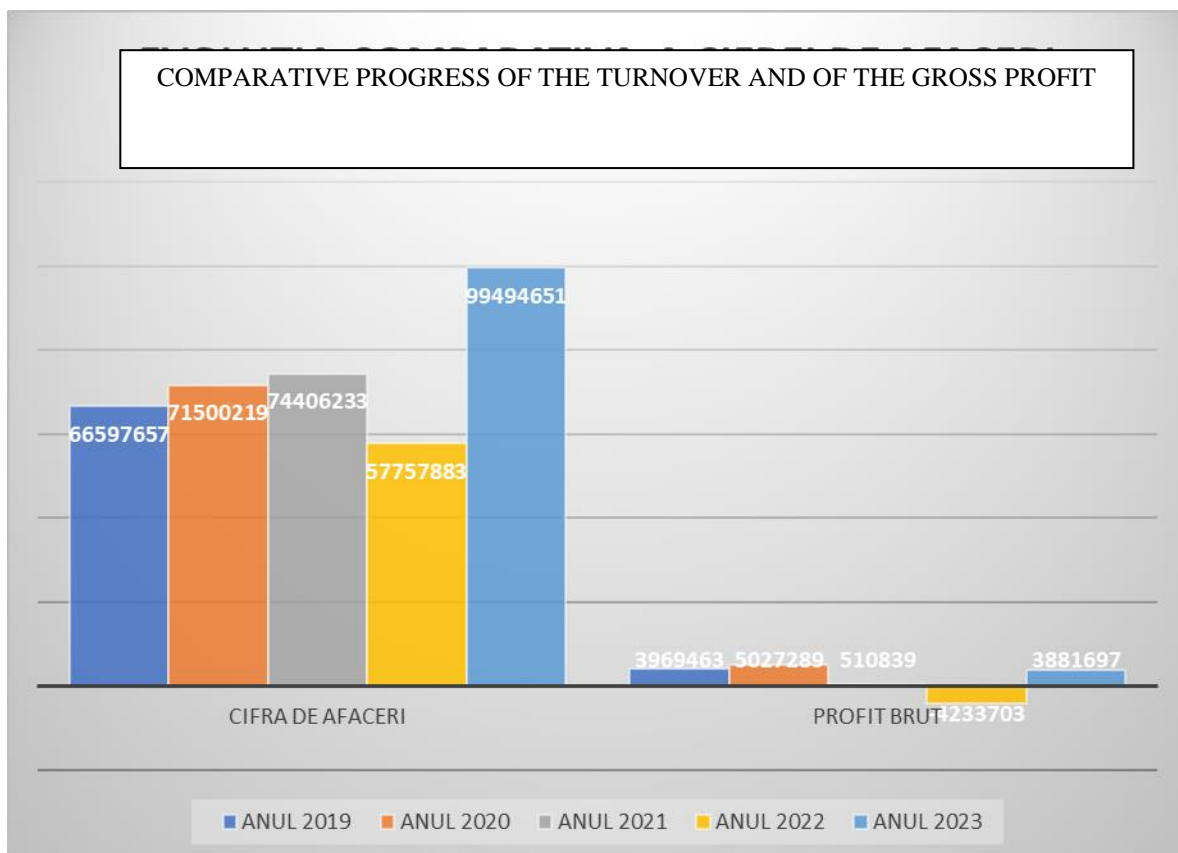
The result of the year 2023, was positively influenced by the increase of the company's activity. The rental sector for the barge type of ships was seriously affected by the economical and geopolitical context, still the company managed to find solutions for the rental of the two barges. Likewise, the income from the ships' repair activity was higher than the one in the previous year, thus the branch's activity was concluded in 2023 with profit.

ANNUAL REPORT OF THE BOARD OF DIRECTORS FOR FINANCIAL YEAR 2023

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

- Gross profit provisioned in BVC year 2023 3.271.000 lei
- Gross profit realized in 2023 3.881.697 lei
- Gross loss realized in 2022 (4.233.703) lei

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



In the table below there are written, synthetically, in structure, the realizations of the year 2023 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.

ANNUAL REPORT OF THE BOARD OF DIRECTORS FOR FINANCIAL YEAR 2023

INDICATORS	ACHIEVEMENTS PREVIOUS YEAR	FINANCIAL YEAR 2023			ACCOMPLISHMENT DEGREE (%) 2023 COMPARED TO:	
		BVC PROVISIONS	ACHIEVEMENTS	OUT OF WHICH AT THE BRANCH	ACHIEVEMENTS 2022	BVC PROVISIONS
TOTAL INCOME, out of which:	59.414.021	95.250.200	100.636.686	13.596.202	169,38	109,09
- Operating income (operational)	58.311.667	94.750.200	99.840.070	13.397.415	171,22	105,37
- Financial income	1.102.354	500.000	796.615	198.787	72,17	159,32
TOTAL EXPENSES, out of which:	63.647.724	91.979.200	96.754.988	12.141.423	152,02	105,19
- operating expenses	63.135.344	91.679.200	96.275.369	12.080.959	152,49	105,01
- financial expenses	512.380	300.000	479.619	60.464	96,61	159,87
GROSS PROFIT / LOSS BEFORE TAX, out of which:	(4.233.703)	3.271.000	3.881.697	1.454.779	-	118,67
- operating profit/loss	(4.823.677)	3.071.000	3.564.701	1.316.456	-	116,08
- financial profit/loss	589.974	200.000	316.996	138.323	53,73	158,50
CURRENT AND DEFERRED PROFIT TAX (PAYABLE OR RECEIVABLE -/+)	18.586	(213.786)	(428.010)	-	-	200,20
NET RESULT	(4.215.117)	3.057.214	3.453.687	-	-	112,97
NUMBER OF SHARES	11.422.919	11.422.919	11.422.919	-	100,0	100,0
NET PROFIT / LOSS PER SHARE (Lei/share)	(0,3690)	0,2676	0,3023	-	-	112,97

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 positive for the year 2022. The financial activity has generated profit, as we will show in what follows.

5.2.1 Analysis of operating activity

The operational incomes of the year 2023 have resulted approximately 86,58% from the head-office in Orsova, where there were finalized and delivered a number of 6 vessels (in 2022:4 ships), in total value of 15.486 thousands of Euro/76.680 thousands of lei (in 2022: 9.523 thousands of Euro, respectively 46.787 thousands of lei, and a pontoon amounting to 1.550 thousands of euro (7.711 thousands of lei) at an average parity of 4.9536 lei/€ (in 2022: 4.9132 lei/€), against a rate of 4.94 lei/euro having taken in consideration for the BVC substantiation.

Per total, the operational incomes were higher than the ones from the previous year (increased by 71,22%) yet also from those stipulated in the BVC (increase by 5,37%). The operational expenses amounting to 96.275.369 lei and in close connection to the operational income from the year 2023 have registered an increase by 52,49% from their level during a similar period from the year 2022 (63.135.344 lei). Consequently, the result from operation is positive, the company has registered a gross profit out of the operation activity amounting to 3.881.697 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 increased amount of production completed and sold during 2023, provided that the selling cost of the ships was preserved to the same level as during the previous year, and the inflation tendencies continued to manifest in the services' market.

Although the expenses with the manpower have increased during 2023, we have noticed an increase of work productivity during the analyzed period. Also in 2023, the company had difficulties because of staff number decrease and manpower ageing, being necessary to outsource certain work which mean also additional costs.

The ships built in Orsova were completely scoped to be delivered intra-community, respectively in the Netherlands and Germany. As well, a completely equipped pontoon was built, for one internal client. 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 (2023), the following types of ships had been delivered:

- 1 GAS TANK SHIP with a length of 110 m;
- 2 TANK SHIPS with a length of 110 m;
- 1 CONTAINER SHIP with a length of 110 m;
- 2 STAINLESS STEEL TANK SHIPS with a length of 86 m;
- 1 PONTOON RO RO

We mention that at the end of the year 2023, 3 bodies of ships are under execution and will be delivered in the intra-community area during the year 2024.

Decline of the vessels market registered in the past years, as a consequence of movements produced on external market, continued also in 2023. The decrease in the amount of transported goods and implicitly in the number of new orders, was also subsequently to the economic and geopolitical context which influenced negatively the activity on this market segment in 2023.

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 7,96% from the previous year. Likewise, solutions were found to rent two of the 5 barges in its patrimony.

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 75% 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 2023, 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 316.996 lei (during the previous year the profit recorded was 589.974 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 2023. Subsequently, on 31.12.2023, 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 2023 and which will be paid in 2024.

The situation of these provisions and depreciation for 31.12.2023 is the following:

	- Lei-
a) For depreciation of tangible assets	419.372
b) For depreciation of financial assets (shares hold at KRITOM Greece (Crete)	684.495
c) Provisions for holidays and retirement bonus	655.198
e) Adjustment for depreciation of inventories	725.939
f) Adjustment for depreciation of receivables (clients/debtors)	574.780
TOTAL PROVISIONS AND DEPRECIATION	3.059.784

Compared to the previous year, per total, increase has been noticed, in absolute numbers, by 1.054.323 lei. In structure, it may be noticed that, there is a significant increase by 1,5% of the depreciation stock related without movement yet a decrease by 9,45% 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 established in 2020 and 2022 are amounting to the total sum of 956.035 lei, for the sums requested as interests on compensation for the dismissal prior to the expiry of the mandate that the former president of the managing Board – Mr. Fercala Mihai and Mr. Pantea Marius Ioan – member of the Managing Board have requested, incomes were retaken. After several trial stages, at the last trial appeal, the Court in Craiova rejected permanently the claims of the two claimants and obliged the claimants to pay to the company all the court expenses.

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 31.12.2023 the company has registered a gross profit amounting to 3.881.697 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.

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:

1.	Gross profit	3.881.697
2.	Expenses (incomes) with tax on delayed profit and specific fee	(428.010)
3.	<u>Net loss</u>	3.453.687

The general ordinary meeting of the shareholders for the approval of the financial statements for the year 2023, 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 2023 to benefit from the bank's support. Thus, the company had approved also in 2023, 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 2022.

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 2023, as its internal sources were enough to pay all due liabilities.

As of 31.12.2023, this ceiling was used 10%, the 2 guarantee letters issued within this ceiling were amounting to:

- 177.181 lei, in favor of the National Company for Administration of the Sea Harbor Constanta.
- 155.000 EUR in favor of the company Black See.

Investment expenses realized have known an increase compared to the previous year.

In figures/In absolute numbers, the expenses volume for investments was at a level of 3.467.615 (in the year 2022: 1.924.961 lei) out of which:

- 3.064.987 Lei at the head-office in Orșova

- 402.628 Lei in Agigea

As from the BVC (income and expense budget) it is registered a realization degree of 62.40% (the BVC provided a value of the investments of 5.557.500 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.

We mention that, during 2023, The Managing Board of the company has approved the purchase of a welding robot, investment which will become effective during 2024.

At the headquarter in Orsova were put into operation in the 2023 following most important objectives:

- 47 t crane
- Adjustable stand
- Compressor with screw
- Automate welding machines
- Cutter scissors
- Modernization and provision of additional devices to the already existing equipment
- Exhaustore ventilator
- IT equipment, software for 3D shaping

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 and blasting machine, a caterpillar stacker and a compressor.

During 2023, the output of assets refer 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

During the year 2023, it was permanently solved in favor of our company, the claim of the former president of the Managing Board, Mr. Fercala Mihai and the former member of the Managing Board, Mr. Pantea Ion Marius, both as plaintiffs.

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. The sentence remained final and permanent and the company received the trial expenses.

In the second file 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. On the 25th of May 2023, the court of trial rejects the appeal as without grounds and obliges the claimant to pay to our company the amount of 10.000 lei as trial expenses. Also in this case, the sentence remained final and the trial expenses were received by the company.

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 Orsova found the legality of the claim to the Court of Trial, by concluding on 24.10.2022, in the Preliminary Chamber of the indictment 183/P/2019 from 25.08.2022 of the Counseling next to the Court in Orsova, for the file 861/274/2022 and Mr. Cainiceanu Ionel established as civil entity against our company.

At present, SANTIERUL NAVAL ORSOVA S.A. is defendant in the criminal file 861/274/2022, set for hearing in the Court of Orsova, status-elements, having as object the failure to take all legal measures of security and occupational healthy (art. 349 NCP) body injury by guilt (art. 196 NCP), failure to observe the legal measures of security and occupational healthy (art. 350 NCP) and according to the solution published on the portal of the court of trial on the date of 20.02.2024, the cause hearing has been delayed.

It is to be mentioned that in this file also Cainiceanu Ionel is sent to the court for the crime of “having failed to observe the security and occupational healthy measures”, deed stipulated and punished by the provisions of the article 350 line 1 Criminal Code.

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

Concerning the work accident that occurred in the month of August 2022 and subsequently to which, two employees have lost their lives, research is still ongoing by the certified institutions with regards to the causes and conditions in which the deflagration that ended with the death of the above mentioned happened.

Also in the year 2023, the company carried on with the implementation of measures aiming at preventing the occurrence of such events, specific equipment has been purchased in order to remove the gas accumulation in

closed spaces, the staff was re-instructed in terms of their obligation to check the gas concentrations in closed spaces where they carry out their activity, with special focus on increasing the awareness of the working staff.

6 INVENTORY OF PATRIMONY AS OF 31.12.2023

The company has performed an annual stock take of assets and liabilities for 2023 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. In two of the inventories from the main head-office, together with the annual inventory, also the handover-takeover of the inventory was carried out;

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 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

ANNUAL REPORT OF THE BOARD OF DIRECTORS FOR FINANCIAL YEAR 2023

.....
The undersigned Fonea Cristina, certified translator and interpreter for English and French languages, based on the Certification no. 24740, from 31.03.2009, issued by the Ministry of Justice from Romania, I certify the conformity of the translation realized from Romanian into English Language, that the text submitted for translation was translated completely, without any omissions and that, the document didn't change its meaning or sense through the translation made.....

The document whose translation was requested has 35 pages totally, is described as a Raportul Administratorilor 2023 and was submitted to me for translation as a complete document.....

CERTIFIED TRANSLATOR AND INTERPRETER,

FONEA CRISTINA