

SANTIERUL NAVAL ORSOVA S.A.
ANNUAL REPORT FOR FINANCIAL YEAR 2023

| CONTENTS | PAGE |
|---|-------------|
| Annual report of the board of directors | 2 – 36 |
| Remuneration report | 37- 41 |
| Statement of compliance with the Bucharest stock exchange corporate governance code | 42 - 47 |
| Statement of Financial Position | 48 - 49 |
| Statement of Comprehensive Income | 50 - 51 |
| Statement of Changes in Equity | 52 |
| Statement of Cash Flows | 53– 54 |
| Notes to Separate Financial Statements | 55 – 119 |
| Statement | 120 |
| Independent Auditors Report | 121 -128 |

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+25to, 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 to 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.

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):

| <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 Mehedinți 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

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 Orsova, the company owns, at the administrative head-office, a total surface amounting to 85.790 sm, confirmed through excerpts of Land Register.

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

- a lifting-launching hold of 1,800 t with ten wires on a length of 100 linear meters – used for launching ships with a maximum length of 135 linear meters and a width of 15 linear meters, which one was modernized in 2014;
- a technological platform that allows the simultaneous assembly of 5 ships and the execution of sections and block sections related to shipbuilding;
- 5 portal cranes of 80+25 t purchased in recent years for the assembling platform and 2 portal cranes of 16 t together with 2 magnetic beams for handling plates in the plates warehouse and the blasting station and also a 5 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 re-classified 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 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:
 - 5 MIDIA hydro-clap barges 940 m³ (with own propulsion);
 - 1 floating crane of 60 t without propulsion;
- building and launching slipway for lifting ships, has 14 files, on whom can be executed works of launching/lifting up vessels, with the following sizes:
 - maximum length = 90,00 m
 - maximum width = 18,00 m
 - maximum height = 3,60 m
 - empty weight of the ship = 1,800 t
- 1 travelling crane 16 feet x 16 m/ 8 feet x 32 m;
- 2 KB cranes 674,25 feet x 15m/8 feet x 35m;
- 1 portal crane of 80 t purchased in 2008;
- a horizontal automated painting and blasting line purchased in 2009 for plates up to 3000 mm width;
- 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:

| DENOMINATION | BALANCE AS OF 31.01.2023 | BALANCE AS OF 31.12.2022 |
|-----------------------------------|-----------------------------|-----------------------------|
| 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.

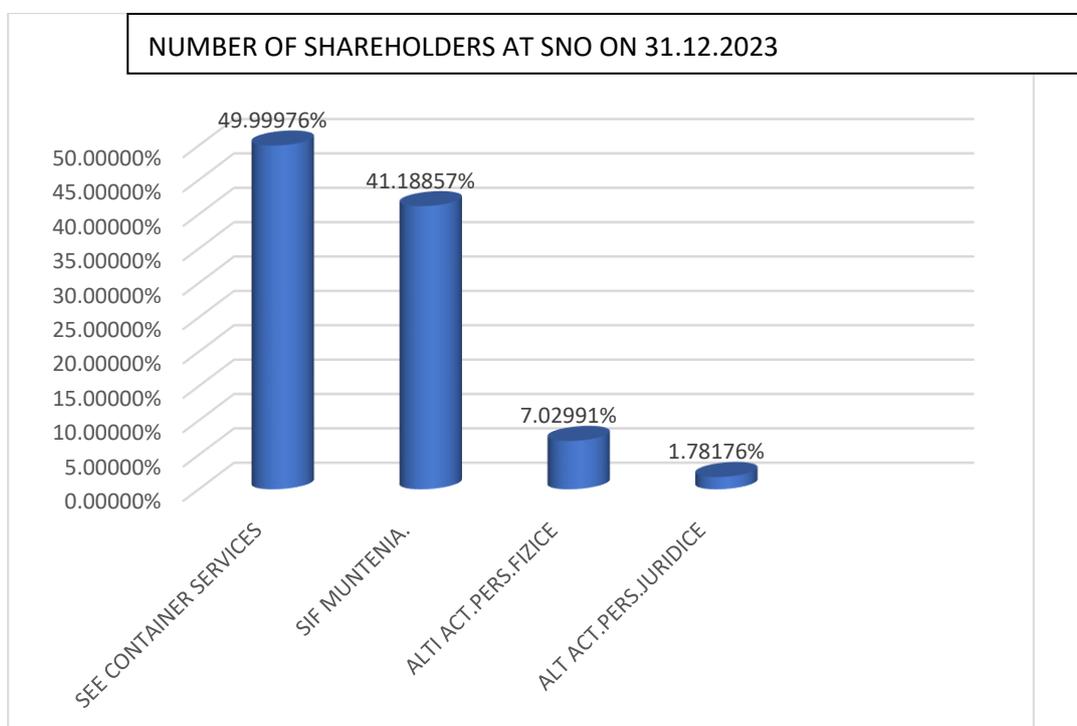
According to the last register of the shareholders requested to the Depozitare Central previous to the above stipulated changes, on the reference date of 03.07.2023, the structure of the shareholders is the following:

| <u>Shareholders</u> | <u>Number of shares</u> <u>Percentage</u> | <u>Amount</u> | |
|------------------------------------|--|-------------------|----------------|
| 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.

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

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

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

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

Published on TradingView.com, February 15, 2024 12:48:30 EET
 BVB:SN0, D O:6,9000 H:6,9000 L:6,9000 C:6,9000



TradingView

Published on TradingView.com, February 15, 2024 12:46:34 EET
 BVB:SND, M O: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.

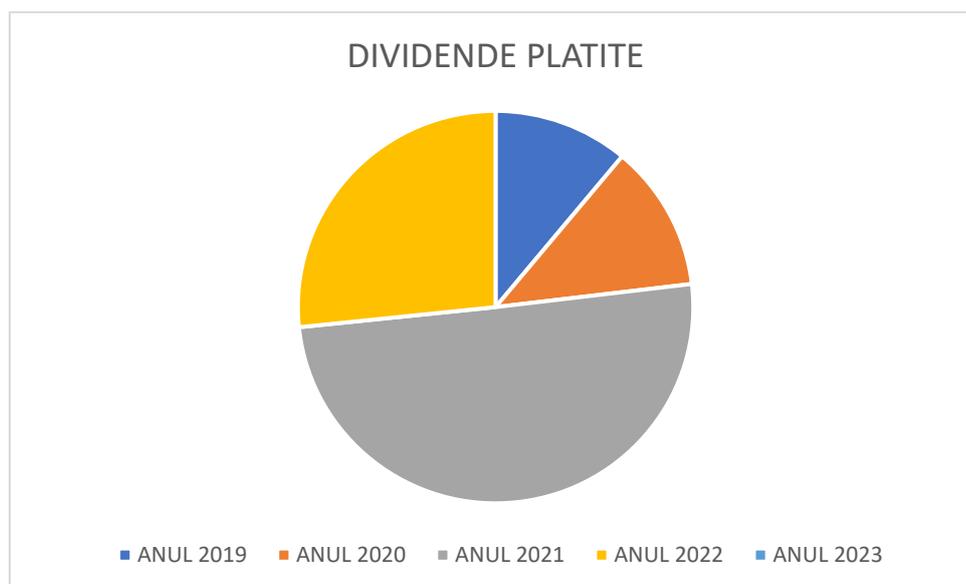
- In the years 2014 and 2015, the company registered a profit, it being used for partial coverage of losses from the previous years.

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;
- 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;
- 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 Şantierul Naval

Orșova SA. During 01.10.1998 - 14.11.2005 he was the head of the Design Department within Santierul 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 Santierul 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 ;
- 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:

| <i>ASSETS, LIABILITIES, EQUITY</i> | <i>31.12.2023 Lei</i> | <i>31.12.2022 Lei</i> | <i>31.12.2021 Lei</i> | <i>YEAR 2023/2022 GROWTH/ 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) |
| 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) |

| <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> |
|------------------------------------|---------------------------------|---------------------------------|---------------------------------|--|
| 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.

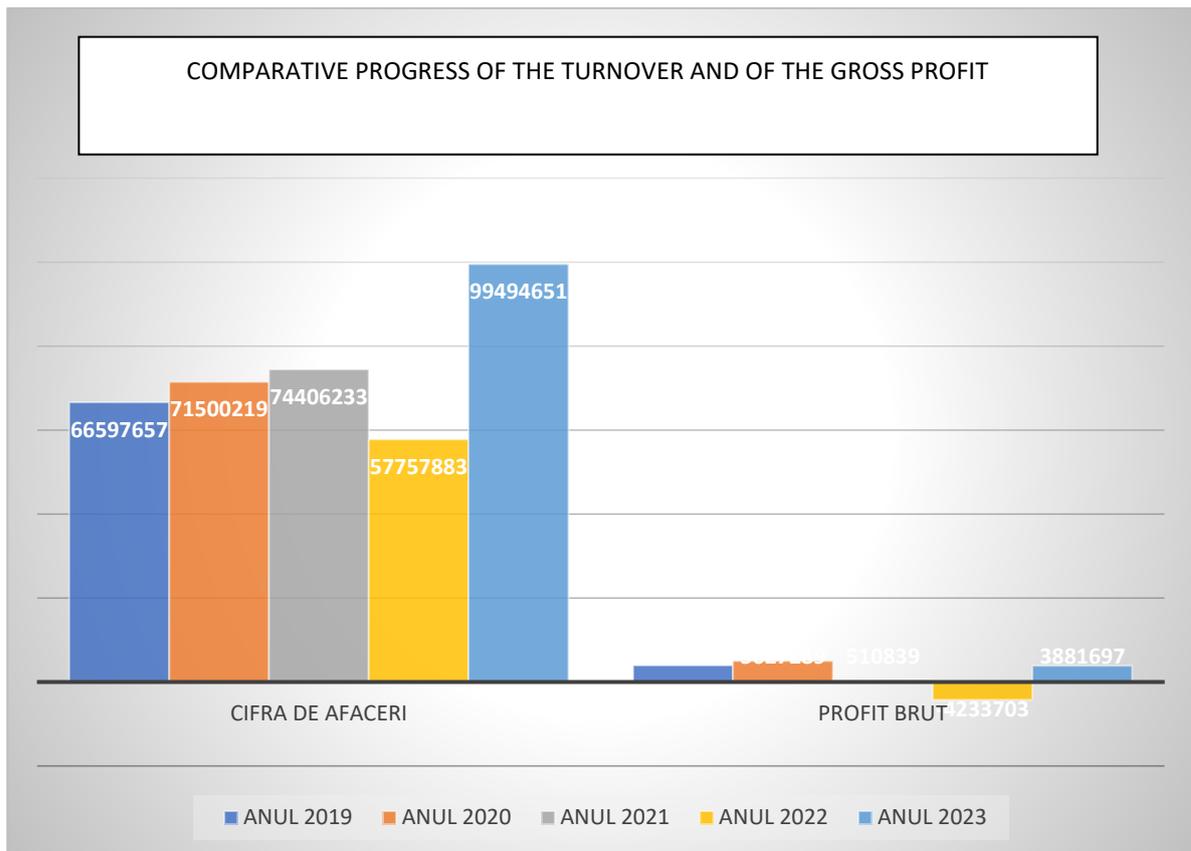
Thus, the turnover for the year 2023 has registered an increase from the previous year, by 72,26% and the gross loss registered by the company at the end of the year is amounting to 3.881.697 lei.

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.

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 BORD OF DIRECTOS 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.

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, SANTIÉRUL 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

REMUNERATION REPORT RELATED TO THE FINANCIAL YEAR 2023
regarding the remunerations and other advantages granted to the administrators
and directors within the Orsova S.A. Shipyard.

Preamble

In accordance with the Company's remuneration policy, approved by the OGMS on April 16, 2021, the Company's Board of Directors has prepared this annual report which includes the remuneration and other benefits granted to the Company's executives during the financial year ended December 31, 2023.

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

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

1. GENERAL LEGAL FRAMEWORK:

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

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

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

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

REMUNERATION REPORT

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

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

The composition of the Nomination and Remuneration Committee between January 1 - November 16, 2023, approved at the meeting of the Board of Directors on 28.12.2021 (Decision no. 18 / 28.12.2021) was next:

| | | |
|---|-------------------------|-----------|
| 1 | Radu Rosca Claudiu | President |
| 2 | Enescu Radu Valentin | Member |
| 3 | Mihai Constantin Marian | Member |

At the end of 2023, the composition of the Nomination and Remuneration Committee underwent changes, following the resignation of Enescu Radu Valentin. The Board of Directors of the company, in the meeting of 19.12.2023, decided to appoint Mr. Ion Dumitru as a provisional member. Thus, on 31.12.2023, the Nomination and Remuneration Committee (Decision no. 16/19.12.2023), has the following component:

- 1 Radu Rosca Claudiu - president
- 2 Ion Dumitru - member
- 3 Mihai Constantin Marian - member

4. The structure of the remuneration of the administrators and directors of the Company and its amount, during the year 2023:

- the administrators received, for the activity carried out, a fixed monthly indemnity according to the mandate contracts in force for each administrator;
- the General Manager received, for the activity carried out, a fixed monthly allowance;
- the fixed allowance for the members of the Board of Directors was approved by the GMS;
- the allowance for the General Manager was approved by the Board of Directors;
- in 2023 no variable indemnity was granted to the administrators or stock and stock options;
- partially the directors and the general manager benefited from professional liability insurance, at the expense of the Company, in the amount approved by the GMS throughout 2023;
- the remuneration granted to the administrators and directors of the company complies with the remuneration policy adopted;

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

Total gross remuneration for all members of the Company's Board of Directors for the year 2023 it was 593,447 lei.

4.1.1. Fixed monthly remuneration: it was established according to the legal provisions presented above and provided by the mandate contracts of each administrator as approved by the GMS decision. The net fixed remuneration granted to all members of the Company's Board of Directors during 2023, and related entirely to this year, was 347,884 lei.

4.1.2. Variable remuneration: In 2023 no variable remuneration was granted.

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

REMUNERATION REPORT

| | <u>Nume and surname</u> | <u>Remuneration Gross fixed</u> | <u>Remuneration Fixed net</u> | <u>Remuneration Variable</u> | <u>Other benefits according to the contract</u> |
|---|-------------------------|-------------------------------------|-----------------------------------|----------------------------------|---|
| 1 | Rosca Radu Claudiu | 135.396 | 79.211 | 0 | 0 |
| 2 | Enescu Radu Valentin | 108.826 | 63.667 | 0 | 0 |
| 3 | Sperdea Mircea Ion | 47.018 | 28.211 | 0 | 0 |
| 4 | Zoescu Mihai | 112.836 | 66.011 | 0 | 0 |
| 5 | Mihai Constantin Marian | 112.836 | 66.011 | 0 | 0 |
| 6 | Chindris Gheorghe | 51.472 | 30.111 | 0 | 0 |
| 7 | Ion Dumitru | 12.811 | 7.494 | 0 | 0 |
| 8 | Fainarea Marius | 12.252 | 7.168 | 0 | 0 |

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

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

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

The total gross remuneration granted to the General Manager of the Company for 2023 was 427,476 lei.

The total net fixed remuneration granted to the General Manager of the Company for 2023 was 256,485 lei.

No variable remuneration was granted in 2023.

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

5.1. Mandate contracts of administrators

The mandate contracts of the company's administrators in 2023 were concluded for periods between 4 (four) years.

During 2023, there were changes in the structure of the Board of Directors, as follows: - On 31.05.2023, Mr. Mircea Ion Sperdea resigned as a member of the Board of Directors, Mr. Chindris Gheorghe being provisionally appointed to the vacant post. - On 16.11.2023, Mr. Enescu Radu Valentin and Chindris Gheorghe resigned from the mandates of the company's administrators, so that, on the vacant positions, the Board of Directors appointed Mr. Ion Dumitru and Mr. Fainarea as provisional members Marius.

The status of the mandate contracts for the administrators who were part of the Board of Directors of Orșova Naval Shipyard S.A. during 2023 it is presented as follows:

| | Name and surname | Start date mandate under contract | End date mandate | Appointment document |
|---|-------------------------|--------------------------------------|---------------------------------|------------------------------|
| 1 | Rosca Radu Claudiu | 28.12.2021 | 28.12.2025 | DecisionAGOA nr.53/2021 |
| 2 | Enescu Radu Valentin | 28.12.2021 | 28.12.2025 | DecisionAGOA nr.53/2021 |
| 3 | Sperdea Mircea Ion | 28.12.2021 | 28.12.2025 | DecisionAGOA nr.53/2021 |
| 4 | Zoescu Mihai | 28.12.2021 | 28.12.2025 | DecisionAGOA nr.53/2021 |
| 5 | Mihai Constantin Marian | 28.12.2021 | 28.12.2025 | DecisionAGOA nr.53/2021 |
| 6 | Chindris Gheorghe | 06.06.2023 | 16.11.2023 | Decision CA nr.7/06.06.2023 |
| 7 | Ion Dumitru | 21.11.2023 | The date of the meeting AGOA | Decision CA nr.14/20.11.2023 |
| 8 | Fainarea Marius | 21.11.2023 | The date of the meeting AGOA | Decision CA nr.14/20.11.2023 |

Mandate contracts contain clauses regarding:

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

The mandate contracts concluded with the company's administrators do not include performance indicators and criteria. These were approved by the OGMS in the meeting of April 20, 2023 (Decision no. 56 / 20.04.2023).

During 2023 there were no cases of dismissal of the members of the Board of Directors for non-fulfillment of the obligations provided in the contract.

5.2. The mandate contract of the executive directors

Mandate contracts contain clauses regarding:

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

5.2.1. The mandate contract of the general manager

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

The mandate contract concluded by the General Manager with the Company does not include performance indicators and criteria. For the year 2023, they were approved by the AGOA in the meeting of April 20, 2023.

REMUNERATION REPORT

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

| Annual change | Financial year 2023 compared to the financial year 2022 +(-)** | Financial year 2022 compared to the financial year 2021 +(-)* | Financial year 2021 compared to the financial year 2020 +(-) | Financial year 2020 compared to the financial year 2019 +(-) | Financial year 2019 compared to the financial year 2018 +(-) |
|--|--|---|--|--|--|
| Average gross remuneration of managers | | | | | |
| Board of Directors | 0,76% | 1,72% | (41,62%) | 16,35% | 21,45% |
| Executive management | 7,66% | (6,94%) | 14,13 | 1,91% | 3,54% |
| Company performance | | | | | |
| Turnover | 72,26% | (22,37%) | 4,06% | 7,36% | 27,20% |
| Gross profit | - | - | (89,88%) | 26,92% | 10,87% |
| Work productivity | 27.18% | 33% | 3,42% | (12,64%) | 10,49% |
| Average gross remuneration based on the full-time equivalent of the Company's employees | | | | | |
| Employees of society | 10,29% | 9,61% | 3,67% | 5,92% | 12,52% |

*In 2022, the company registered a loss in the gross amount of 4,233,703 lei

** In 2023, the company registered a profit in the gross amount of 3,881,697 lei

PRESIDENT

Nomination and Remuneration Committee,

Ec. Rosca Radu Claudiu.

STATEMENT OF COMPLIANCE WITH THE BUCHAREST STOCK EXCHANGE CORPORATE GOVERNANCE CODE as of 31.12.2023

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

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

STATEMENT OF COMPLIANCE WITH THE BUCHAREST STOCK EXCHANGE CORPORATE GOVERNANCE CODE

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

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

STATEMENT OF COMPLIANCE WITH THE BUCHAREST STOCK EXCHANGE CORPORATE GOVERNANCE CODE

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

STATEMENT OF COMPLIANCE WITH THE BUCHAREST STOCK EXCHANGE CORPORATE GOVERNANCE CODE

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

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

Şantierul Naval Orşova S.A.
Separate financial statements 2023 in accordance with IFRS

| <i>Reference</i> | STATEMENT OF FINANCIAL POSITION | | | |
|---------------------------|---|-------------|-------------------|--------------------|
| | As at 31 December | | 2023 | 2022 |
| <i>IAS 1.10(a), 113</i> | | <i>Note</i> | RON | RON |
| | Assets | | | |
| | Fixed assets | | | |
| <i>IAS 1.54(a)</i> | Tangible assets | <i>15</i> | 38,860,571 | 38,759,783 |
| | Freehold land and land improvements | <i>15</i> | 1,201,941 | 1,201,941 |
| | Buildings | <i>15</i> | 17,706,276 | 19,796,944 |
| | Plant and machinery, motor vehicles | <i>15</i> | 18,450,791 | 16,464,094 |
| | Fixtures and fittings [...] | <i>15</i> | 98,728 | 76,778 |
| | Tangible assets in progress | <i>15</i> | 1,402,835 | 1,220,026 |
| <i>IAS 1.54(c)</i> | Intangible assets | <i>16</i> | 81,164 | 27,779 |
| | Other intangible assets | <i>16</i> | 81,164 | 27,779 |
| <i>IFRS 16, IAS 8</i> | Rights-of-use for leased assets | <i>17</i> | 495,806 | 1,109,377 |
| <i>IAS 1.54(b)</i> | Investment property | <i>19</i> | 606,447 | 596,638 |
| <i>IAS 1.54(h)</i> | Trade receivables and other receivables | | 6,000 | 8,956 |
| <i>IAS 1.54(o), 56</i> | Deferred tax assets | | 104,832 | 115,769 |
| <i>IAS 1.60</i> | Total fixed assets | | 40,154,820 | 40,618,302 |
| <i>IAS 1.54 (g)</i> | Inventories | <i>20</i> | 28,967,886 | 50,813,700 |
| <i>IAS 1.54(h)</i> | Trade receivables and other receivables | <i>22</i> | 12,089,896 | 1,987,659 |
| <i>IAS 1.55</i> | Deferred expenses | <i>22</i> | 153,995 | 161,622 |
| <i>IAS 1.54(d)</i> | Short term investments | <i>23</i> | 6,495,815 | 3,485,023 |
| <i>IAS 1.54(i)</i> | Cash and cash equivalents | <i>24</i> | 11,943,703 | 8,852,408 |
| <i>IAS 1.60</i> | Total Current Assets | | 59,651,295 | 65,300,412 |
| | Total Assets | | 99,806,115 | 105,918,714 |
| | Equity | | | |
| <i>IAS 1.54(r), 78(e)</i> | Share capital | <i>25</i> | 28,557,298 | 28,557,298 |
| <i>IAS 1.55, 78(e)</i> | Share premium | <i>25</i> | 8,862,843 | 8,862,843 |
| <i>IAS 1.54(r), 78(e)</i> | Reserves | <i>25</i> | 47,157,267 | 47,901,179 |
| | Result for the period | <i>25</i> | 3,453,687 | (4,215,117) |
| <i>IAS 1.55, 78(e)</i> | Retained earnings | <i>25</i> | (2,848,032) | 892,220 |

Şantierul Naval Orşova S.A.
Separate financial statements 2023 in accordance with IFRS

| <i>Reference</i> | STATEMENT OF FINANCIAL POSITION (continued) | | | |
|---------------------------|---|------|-------------------|--------------------|
| | As at 31 December | Note | <u>2023</u> | <u>2022</u> |
| | | | RON | RON |
| | Other elements of equity | 25 | (3,753,867) | (4,014,451) |
| | Total equity | | 81,429,196 | 77,983,972 |
| | Liabilities | | | |
| | Long-term liabilities | | | |
| <i>IAS 1.54(o), 56</i> | Deferred tax liabilities | | 3,775,937 | 4,031,923 |
| <i>IFRS 16, IAS 8</i> | Other debts, including lease liability | 28 | 60,040 | 555,829 |
| <i>IAS 1.60</i> | Total long-term liabilities | | 3,835,977 | 4,587,752 |
| | Current liabilities | | | |
| <i>IAS 1.54(k)</i> | Trade payables and other debts, including derivatives | 31 | 13,884,794 | 21,665,023 |
| <i>IAS 1.55, 11.42(b)</i> | Deferred income | | 950 | 2,375 |
| <i>IAS 1.54(l)</i> | Provisions | 30 | 655,198 | 1,679,592 |
| <i>IAS 1.60</i> | Total current liabilities | | 14,540,942 | 23,346,990 |
| | Total Liabilities | | 18,376,919 | 27,934,742 |
| | Total Equity and Liabilities | | 99,806,115 | 105,918,714 |

The separate financial statements were approved by the Board of Directors on March 12, 2024 and were signed by:

Administrator,
 Ec. Radu-Claudiu Rosca

Prepared by,
 Ec. Marilena Vişescu

Şantierul Naval Orşova S.A.
Separate financial statements 2023 in accordance with IFRS

| <i>Reference</i> | STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME | | | |
|-----------------------------------|---|-------------|---------------------|---------------------|
| | For the financial year ended at 31 December | Note | 2023 | 2022 |
| | | | RON | RON |
| | Continuing operations | | | |
| <i>IAS 1.10(b), 81(a)</i> | Income | 5 | 96,632,014 | 57,269,884 |
| | Other income | 6 | 3,208,056 | 1,041,783 |
| | Total Operational Income | | 99,840,070 | 58,311,667 |
| | Expenses related to inventories | 7 | (43,352,929) | (22,313,026) |
| | Utility expenses | 8 | (2,062,928) | (1,541,210) |
| | Employee benefits expenses | 9 | (30,408,001) | (24,269,823) |
| | Depreciation and amortization expenses | 15,16 | (5,074,087) | (3,413,005) |
| | Depreciation expenses related to rights-of-use for leased assets | 17 | (658,463) | (567,259) |
| | Gains/losses on disposal of property | | (5,390) | (71,587) |
| | Increase/(Decrease) of receivables allowances and inventory write-down | 10 | (55,842) | (247,555) |
| | Increase/(Decrease) of provision expenses | 30 | (1,024,394) | (647,577) |
| <i>IAS 1.99, 103</i> | Other expenses | 11 | (15,682,123) | (10,064,302) |
| | Total Operational expenses | | (96,275,369) | (63,135,344) |
| | The result of operational activities | | 3,564,701 | (4,823,677) |
| | Financial income | 12 | 796,615 | 1,102,354 |
| <i>IAS 1.82(b)</i> | Financial expenses | 12 | (479,619) | (512,380) |
| | Net financial result | 12 | 316,996 | 589,974 |
| <i>IAS 1.85</i> | Result before taxation | | 3,881,697 | (4,233,703) |
| <i>IAS 1.82(d), IAS 12.77</i> | Current income tax expenses | 13a | (412,474) | 0 |
| | Deferred income tax expenses | 13a | (120,367) | (83,512) |
| | Deferred income tax income | | 104,831 | 115,769 |
| | Specific activities tax expenses | 13b | 0 | (13,671) |
| <i>IAS 1.85</i> | Result for continuing operations | | 3,453,687 | (4,215,117) |
| <i>IAS 1.82(f)</i> | Result for the period | | 3,453,687 | (4,215,117) |

Şantierul Naval Orşova S.A.
Separate financial statements 2023 in accordance with IFRS

| <i>Reference</i> (continued) | STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME | Note | 2023 | 2022 |
|---------------------------------|--|------|------------------|--------------------|
| | For the financial year ended at 31 December | | RON | RON |
| | Other comprehensive income | | | |
| <i>IAS 1.10(b), 81(a)</i> | | | | |
| <i>IAS 1.82(g)</i> | Reevaluation of tangible assets | | (746,912) | (941,620) |
| <i>IAS 1.85</i> | Other comprehensive income after taxation | | (746,912) | (941,620) |
| <i>IAS 1.82 (i)</i> | Total comprehensive income for the period | | 2,706,775 | (5,156,737) |
| | Attributable profit | | | |
| <i>IAS 1.83(b)(ii)</i> | Shareholders | 26 | 3,453,687 | (4,215,117) |
| | Profit for the period | | 3,453,687 | (4,215,117) |
| | Total attributable comprehensive income | | | |
| <i>IAS 1.83(b)(ii)</i> | Shareholders | | 2,706,775 | (5,156,737) |
| | Earnings per share | | | |
| <i>IAS 33.66</i> | Basic earnings per share | | 0,30 | (0,37) |
| <i>IAS 33.66</i> | Diluted earnings per share | | 0,30 | (0,37) |
| | Continuing operations | | | |
| <i>IAS 33.66</i> | Basic earnings per share | | 0,30 | (0,37) |
| <i>IAS 33.66</i> | Diluted earnings per share | | 0,30 | (0,37) |

The separate financial statements were approved by the Board of Directors on March, 12, 2024 and were signed by:

Administrator,
 Ec. Radu-Claudiu Roşca

Prepared by,
 Ec. Marilena Vişescu

Şantierul Naval Orşova S.A.
Separate financial statements 2023 in accordance with IFRS

Reference STATEMENT OF CHANGES IN EQUITY

IAS
1.108,109

Attributable to equity holders

| | Share capital | Share premium account | Revaluati on reserve | Other reserves | Retained earnings | Result for the period | Other elements of equity | Profit appropriation | Total equity |
|-------------------------------------|--------------------------|-------------------------|--------------------------|--------------------------|---------------------------|---------------------------|---------------------------|----------------------|--------------------------|
| Balance at December 31, 2021 | <u>28,557,298</u> | <u>8,862,843</u> | <u>30,246,300</u> | <u>24,650,646</u> | <u>941,454</u> | <u>(153,870)</u> | <u>(4,338,244)</u> | = | <u>88,766,427</u> |
| Loss/ Net profit for the year | - | - | - | - | (153,870) | (4,061,247) | - | - | (4,215,117) |
| Transfer in reserve | - | - | (104,636) | (6,054,147) | 6,158,783 | - | 323,793 | - | 323,793 |
| Revaluation reserve | - | - | (836,984) | - | - | - | - | - | (836,984) |
| <i>IAS 1.106</i> Dividends | - | - | - | - | (6,054,147) | - | - | - | (6,054,147) |
| Balance at December 31, 2022 | <u>28,557,298</u> | <u>8,862,843</u> | <u>29,304,680</u> | <u>18,596,499</u> | <u>892,220</u> | <u>(4,215,117)</u> | <u>(4,014,451)</u> | = | <u>77,983,972</u> |
| Loss/ Net profit for the year | - | - | - | - | (4,215,117) | 7,668.804 | - | - | 3,453,687 |
| Transfer in reserve | - | - | (782,550) | - | 474,865 | - | 260,584 | - | (47,101) |
| Revaluation reserve | - | - | 38,638 | - | - | - | - | - | 38,638 |
| Balance at December 31, 2023 | <u>28,557,298</u> | <u>8,862,843</u> | <u>28,560,768</u> | <u>18,596,499</u> | <u>(2,848,032)</u> | <u>3,453,687</u> | <u>(3,753,867)</u> | = | <u>81,429,196</u> |

The separate financial statements were approved by the Board of Directors on March, 12, 2024 and were signed by:

Administrator,
 Ec. Radu-Claudiu Roşca

Prepared by,
 Ec. Marilena Vişescu

Şantierul Naval Orşova S.A.
Separate financial statements 2023 in accordance with IFRS as adopted by EU

| <i>Reference</i> | STATEMENT OF CASH FLOWS | | | |
|-----------------------------|---|-----------------|--------------------|--------------------|
| | For the financial year ended at 31 December | Note | 2023 | 2022 |
| <i>IAS 1.10(d), 113</i> | | | RON | RON |
| | Cash flows from operating activities | | | |
| | Profit for the period | | 3,453,687 | (4,215,117) |
| | Adjustments for: | | | |
| | Amortization of intangible and tangible assets | <i>15,16,17</i> | 5,620,872 | 4,442,279 |
| | Depreciation of fixed assets | | 13,784 | (96,057) |
| | Losses from various receivables and debtors | <i>10</i> | (109,362) | (4,180) |
| | Expenses from revaluation of tangible assets | | | |
| | Net expenses/(net income) with provisions | | (1,024,394) | 647,577 |
| | Impairment of current assets | <i>10,20</i> | 55,842 | 247,555 |
| | Loss from the sale of tangible assets | | 5,390 | 71,587 |
| | Current income tax expenses | <i>13a</i> | 412,474 | - |
| | Deferred income tax expenses | <i>13a</i> | 120,367 | 83,512 |
| | Specific activities tax expenses | <i>13b</i> | - | 13,671 |
| | Deferred tax income | | (104,831) | (115,769) |
| | Cash - flows from operating activities before changes in working capital | | 8,662,553 | 1,075,058 |
| | Changes in working capital | | | |
| | Changes related to inventories | | 21,794,247 | (28,328,550) |
| | Changes related to trade receivables and other receivables | | (10,078,401) | 18,493,726 |
| | Changes in accrued expenses | | 7,627 | 3,790 |
| | Changes in trade payables and other liabilities | | (9,842,736) | 12,111,488 |
| | Cash generated / (used) from / (in) operating activities | | 10,543,290 | 3,355,512 |
| | Interest paid (leasing) | <i>12,17</i> | (57,548) | (26,650) |
| <i>IAS 7.35</i> | Income tax paid | | (373,953) | (13,671) |
| <i>IAS 7.10</i> | Net cash from operating activities | | 10,111,789 | 3,315,191 |
| | Cash flows from investing activities | | | |
| <i>IAS 7.31</i> | Interest received | | 179,434 | 34,742 |
| <i>IAS 7.16(a)</i> | Purchases of tangible and intangible assets | <i>15,16</i> | (3,467,615) | (1,944,633) |
| | Short term investments | | (3,010,792) | (397,916) |
| <i>IAS 7.10</i> | Net cash used in investing activities | | (6,298,973) | (2,307,807) |

Şantierul Naval Orşova S.A.
Separate financial statements 2023 in accordance with IFRS as adopted by EU

| <i>Reference</i> | STATEMENT OF CASH FLOWS (continued) | | 2023 | 2022 |
|-----------------------------|--|-------------|--------------------------|-------------------------|
| <i>IAS 1.10(d), 113</i> | For the financial year ended at 31 December | Note | | |
| | | | | |
| | Cash flows from financing activities | | | |
| <i>IAS 7.31</i> | Proceeds from loans / (loans refunds) | | | |
| | Paid dividends | | (86,549) | (5,951,427) |
| | Increase (reimbursement) in loans (leasing) | 28 | (634,972) | (568,917) |
| <i>IAS 7.10</i> | Net cash from (used in) financing activities | | (721,521) | (6,520,344) |
| | Increase/(Decrease) Net cash and cash equivalents decreases | | 3,091,295 | (5,512,960) |
| | Cash and cash equivalents at 1 January | | 8,852,408 | 14,365,368 |
| | Cash and cash equivalents at 31 December | | <u>11,943,703</u> | <u>8,852,408</u> |

The separate financial statements were approved by the Board of Directors on March 12, 2024 and were signed by:

Administrator:
 Ec. Radu-Claudiu Roşca

Prepared by:
 Ec. Marilena Vişescu

Şantierul Naval Orşova S.A.
Separate financial statements 2023 in accordance with IFRS as adopted by EU

TABLE OF CONTENTS

| | Page | | Page |
|---|-------------|---|-------------|
| 1. Reporting company | 56 | 19. Investment property | 95 |
| 2. Basis of preparation | 56 | 20. Inventories | 95 |
| 3. Significant accounting policies | 64 | 21. Non-current assets held for sale | 96 |
| 4. Determination of fair value | 75 | 22. Trade receivables and related, other receivables and accrued expenses | 97 |
| 5. Revenue | 76 | 23. Short term investments | 97 |
| 6. Other Income | 76 | 24. Cash and cash equivalents | 98 |
| 7. Expenses related to inventories | 77 | 25. Capital and reserves | 99 |
| 8. Utility expenses | 78 | 26. Earnings per share | 102 |
| 9. Personnel Expenses | 78 | 27. Loans | 103 |
| 10. Receivables allowances and inventories write-down | 79 | 28. Leases' liabilities | 105 |
| 11. Other expenses | 79 | 29. Employee benefits | 106 |
| 12. Financial income and expenses | 81 | 30. Provisions | 108 |
| 13. Income tax expense / Specific activity tax expenses | 82 | 31. Trade payables and other payables | 109 |
| 14. Deferred tax assets and liabilities | 83 | 32. Financial instruments | 110 |
| 15. Tangible Non-current assets | 84 | 33. Contingent assets and contingent liabilities | 115 |
| 16. Intangible assets | 91 | 34. Related parties | 117 |
| 17. Rights-of-use assets | 92 | 35. Events after reporting period | 119 |
| 18. Other investments, including derivatives | 93 | | |

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

Şantierul Naval Orşova S.A.
Separate financial statements 2023 in accordance with IFRS as adopted by EU

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

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

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

IAS 1.51(a)-(c) The separate financial statements in accordance with IFRS have been prepared for the year ended 31 December 2023. The Company's main activity is: **construction of ships and floating structures (NACE code: 3011).**

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

a. Statement of compliance

IAS 1.16 The company has prepared the annual financial statements for the year ended 31 December 2023 in accordance with International Financial Reporting Standards as adopted by European Union, applicable to companies whose securities are admitted to trading on a regulated market, according to the Order of the Minister of Finance no. 881/2012 regarding the application of International Financial Reporting Standards by companies whose securities are admitted to trading on a regulated market and the Order of the Minister of Finance no. 2844/2016 approving the Accounting Regulations in accordance with International Financial Reporting Standards applicable to companies whose securities are admitted to trading on a regulated market, including subsequent amendments and additions.

IAS.10.17 The financial statements have been authorized for issue by the Board of Directors on March 12 th, 2024.

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

IAS 1.117(a) Investment properties

- Buildings
- Naval means of transport.
- Means of naval transport.

a. Functional currency and presentation currency

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

Şantierul Naval Orşova S.A.
Separate financial statements 2023 in accordance with IFRS as adopted by EU

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

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

b. Professional judgements and key assumptions

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

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

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

- Note 19 –Investment property classification;
- Note 27 – Loans.

c. New International Financial Standards not applied by the Company

The Company does not apply some IFRSs or new IFRS provisions issued and not effective at the date of the financial statements. The Company cannot estimate the impact of the application of these provisions on the financial statements and intends to apply these provisions upon their entry into force. Of the standards issued but not yet in force, the company will not be in a position to apply prospectively any of them.

These are:

- Amendments to IAS 1 "Presentation of Financial Statements" effective 1 January 2024
- Amendments to IFRS 16 "Leases" effective 1 January 2024
- Amendments to IAS 21 "The Effects of Changes in Foreign Exchange Rates" effective 1 January 2025
- Amendments to IAS 7 "Statement of Cash Flows" effective 1 January 2024.

Şantierul Naval Orşova S.A.
Separate financial statements 2023 in accordance with IFRS as adopted by EU

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

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

a. Presentation of financial statements

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

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

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

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

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

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

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

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

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

Şantierul Naval Orşova S.A.
Separate financial statements 2023 in accordance with IFRS as adopted by EU

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

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

a. Standards and interpretations available in the current period

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

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

Şantierul Naval Orşova S.A.
Separate financial statements 2023 in accordance with IFRS as adopted by EU

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

Şantierul Naval Orşova S.A.
Separate financial statements 2023 in accordance with IFRS as adopted by EU

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

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

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

Şantierul Naval Orşova S.A.
Separate financial statements 2023 in accordance with IFRS as adopted by EU

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

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

| | | |
|--------|--|---|
| IAS 37 | Provisions, Contingent Liabilities and Contingent Assets | Defining provisions and approach of estimating provisions, individual cases examined (including the problem of restructuring). |
| IAS 38 | Intangible Assets | Definition and accounting treatments for intangible assets, recognition and measurement policies on the processing costs for research and development etc. |
| IAS 39 | Financial Instruments: Recognition and Measurement | Recognition and measurement principles regarding financial assets and liabilities, the definition of derivatives, hedge accounting operations, the issue of fair value etc. |
| IAS 40 | Investment Property | Establishing the evaluation method: fair value model or cost model, transfers between different categories of assets etc. |
| IFRS 1 | First-time Adoption of International Financial Reporting Standards | The procedures for financial statements according to IAS / IFRS optional exemptions and mandatory exceptions to retrospective application of IAS / IFRS, supplemented by amendments applicable from 1 January 2013. |
| IFRS 5 | Non-current Assets Held for Sale and Discontinued Operation | Defining an asset held for sale and discontinued operations, and the, evaluation of these elements. |
| IFRS 7 | Financial Information: Disclosures | Financial information related to financial instruments are referring primarily to: (i) information about the significance of financial instruments; and (ii) information about the nature and extent of risks arising from financial instruments, supplemented by amendments applicable from 1 January 2013. |
| IFRS 9 | Financial instruments | The Standard includes requirements for recognition and measurement, impairment, derecognition and general hedge accounting of financial instruments. The version of IFRS 9 issued in 2014 supersedes all previous versions and is mandatorily effective for periods beginning on or after 1 January 2018 with early adoption permitted. |

Şantierul Naval Orşova S.A.
Separate financial statements 2023 in accordance with IFRS as adopted by EU

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

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

| | | |
|---------|---|--|
| IFRS 10 | Consolidated Financial Statements | Establishing principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. |
| IFRS 11 | Joint Arrangements | Establishing principles for financial reporting for entities that hold interests in jointly controlled commitments.. |
| IFRS 12 | Disclosure of Interests in Other Entities | Requires an entity to disclose information that will enable users of its financial statements to evaluate: the nature and risks associated with interests held in other entities; and the effects of those interests on the financial position, financial performance and its cash flows. |
| IFRS 13 | Fair value measurement | The definition of fair value, establishing, in a single IFRS, a framework for measuring fair value, requiring the presentation of information on fair value. |
| IFRS 15 | Revenue from Contracts with Customers | It aims to establish principles that an entity must apply to report information useful to users of financial statements about the nature, amount, timing and uncertainty of income and cash flows arising from a contract with a customer. It applies to an entity's first annual IFRS financial statements for the period beginning on or after 1 January 2018, published in May 2014 and adopted by the European Union in September 2016, effective in the EU on 1 January 2018. |
| IFRS 16 | Leasing contract | Its objective is to standardize the way in which financial and operational leasing contracts are recognized in order to have a better comparability in the financial statements between the entities that use different types of contracts |
| IFRS 17 | Insurance contracts | Aims to ensure that an entity provides relevant information that accurately represents those contracts. |

Şantierul Naval Orşova S.A.
Separate financial statements 2023 in accordance with IFRS as adopted by EU

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

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

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

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

a. Foreign currency

(i) Transactions in foreign currency

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

b. Financial instruments

(ii) Share capital

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

c. Tangible Assets

IAS 16.73 (a) (i) Recognition and evaluation

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

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

Şantierul Naval Orşova S.A.
Separate financial statements 2023 in accordance with IFRS as adopted by EU

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

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

117(a)

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

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

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

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

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

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

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

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

Şantierul Naval Orşova S.A.
Separate financial statements 2023 in accordance with IFRS as adopted by EU

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

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

117(a)

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

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

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

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

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

On December 31, 2021, the Company proceeded to reevaluate tangible assets such as shipbuilding buildings and means of transport located at the branch Agigea using the opinion of an independent external evaluator.

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

On December 31, 2023, the Company proceeded to the revaluation of tangible assets of the nature of the means of shipping located at the Agigea branch using the opinion of an independent external valuer.

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

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

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

Şantierul Naval Orşova S.A.
Separate financial statements 2023 in accordance with IFRS as adopted by EU

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

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

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

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

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

(ii) Reclassification to investment property

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

(iii) Depreciation of tangible non-current assets

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

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

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

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

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

Şantierul Naval Orşova S.A.
Separate financial statements 2023 in accordance with IFRS as adopted by EU

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

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

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

Lands are not a subject of depreciation, as they are deemed to have an indefinite life. The management continually evaluates the development plan. The effect of lifetime review, based on GD. 2139/2004, was reflected in the depreciation expense in the year 2005 and in future periods in the amount of depreciation expenses without any temporary differences.

(iv) Derecognition

The account value of a fixed asset shall be derecognised:

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

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

d. Intangible Assets

(1) Cost

(i) *Software*

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

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

Şantierul Naval Orşova S.A.
Separate financial statements 2023 in accordance with IFRS as adopted by EU

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

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

117(a)

(ii) Other intangible assets

All other intangible assets are recognized at cost.

Intangible assets are not revalued.

(2) Amortization

(i) Software

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

(ii) Other intangible assets

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

e. Rights-of-use for leases assets

The company as a lessees

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

Leasing liability

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

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

Şantierul Naval Orşova S.A.
Separate financial statements 2023 in accordance with IFRS as adopted by EU

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

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

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

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

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

Rights-of-use assets

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

f. Investment property

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

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

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

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

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

g. Inventories

Inventories are assets:

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

Şantierul Naval Orşova S.A.
Separate financial statements 2023 in accordance with IFRS as adopted by EU

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

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

117(a)

Measurement of inventories

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

Cost of inventories

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

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

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

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

h. Impairment

(i) Financial assets (including receivables)

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

Şantierul Naval Orşova S.A.
Separate financial statements 2023 in accordance with IFRS as adopted by EU

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

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

i. Employee benefits

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

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

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

j. Provisions

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

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

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

(2) Provisions for litigation

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

Şantierul Naval Orşova S.A.
Separate financial statements 2023 in accordance with IFRS as adopted by EU

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

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

(3) Provisions for guarantees

For river vessels produced by the Company, it is stipulated in the export contracts that the seller is obliged to guarantee the proper execution, for a period of 6-9 months from date of sale (ownership transfer), depending on the complexity of the ships.

Provisions made for this purpose are based on calculation of the average share of total claims paid customer deliveries during the last period (previous year).

k. Revenue

Revenue refers to goods sold and services rendered.

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

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

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

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

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

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

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

Şantierul Naval Orşova S.A.
Separate financial statements 2023 in accordance with IFRS as adopted by EU

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

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

117(a)

m. Income tax

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

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

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

Recognition of deferred tax assets and liabilities

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

4. Determination of fair value

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

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

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

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

Reference

NOTES TO SEPARATE FINANCIAL STATEMENTS IN ACCORDANCE WITH IFRS

4. Determination of fair value (continued)

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

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

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

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

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

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

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

Şantierul Naval Orşova S.A.
Separate financial statements 2023 in accordance with IFRS as adopted by EU

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

5. Revenue

| | <u>2023</u> | <u>2022</u> |
|---|--------------------------|--------------------------|
| | RON | RON |
| <i>IFRS 15.113 (a)</i> Sales of goods | 84.391.535 | 46.787.132 |
| <i>IFRS 15.113 (a)</i> Rendering of services | 11.394.954 | 9.177.126 |
| <i>IFRS 15.113 (a)</i> Sales of residual products and goods | 772.453 | 1.242.848 |
| <i>IAS 40.75 (f) (i)</i> Incomes from rental of investment properties | 73.072 | 62.778 |
| Total | <u>96.632.014</u> | <u>57.269.884</u> |

Sales of goods, made from the sale of ships built at the main headquarters in Orşova, increased by 80.37% in 2023 compared to the previous year, and compared to the provisions of BVC there is a degree of achievement of 101.03%. In 2023, the Company completed and handed over 6 vessels to external customers and delivered one pontoon to the domestic market. Also, at the end of the year, a hull was 80% completed, being delivered to the intra-Community market in mid-February 2023. Given that the structure and complexity of ships built is different from one year to another, this is also reflected in the level of income earned during these periods.

Further, although the Company had covered the entire production capacity of 2023, the river/sea shipbuilding market continued to be deficient.

In terms of ship repair activity, the revenues achieved in 2023, mainly by the Agigea branch, amounted to 10,326,816 lei (9,024,363 lei in 2022), registering an increase of 14.43% compared to the previous year. The main client was still NAVROM GALATI for this type of services.

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

6. Other income

| | <u>2023</u> | <u>2022</u> |
|--|-------------------------|-------------------------|
| | RON | RON |
| Rental income (other than rental of investment property) | 2,862,636 | 487,999 |
| Other operating incomes | 345,420 | 553,784 |
| Total | <u>3,208,056</u> | <u>1,041,783</u> |

The amounts entered under the heading Rental income refer to the amounts derived from the rental of two barges, but also from the rental of premises at the Agigea branch, Thus, during the analyzed period, rental income is at a higher level than in the corresponding period of the previous year (increase by 486.61%), one of the main concerns of the management of the company being to find solutions for renting the five barges in the patrimony of the branch.

Şantierul Naval Orşova S.A.
Separate financial statements 2023 in accordance with IFRS as adopted by EU

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

6. Other income (continued)

As regards the amount entered under Other operating income, it is mainly due to income received as penalties as a result of non-compliance with delivery deadlines by the supplier Industeel Belgium.

7. Expenses related to inventories

| | <u>2023</u> | <u>2022</u> |
|--|--------------------------|--------------------------|
| | RON | RON |
| Raw materials | 28,992,832 | 14,547,667 |
| Consumables, including: | 13,434,480 | 6,841,137 |
| <i>Auxiliary materials</i> | 12,305,480 | 6,238,348 |
| <i>Fuel</i> | 428,331 | 294,350 |
| <i>Spare parts</i> | 444,663 | 211,291 |
| <i>Other consumables</i> | 257,006 | 97,148 |
| Materials in the form of small inventory | 478,153 | 427,261 |
| Materials not stored | 415,325 | 204,210 |
| Goods for resale | 36,463 | 294,053 |
| Trade discounts received | (5,324) | (1,302) |
| Total | <u>43,352,929</u> | <u>22,313,026</u> |

As of 31.12.2023, the significant share in total stock expenditure is still held by raw materials (naval sheet). The 99.30% increase in raw material expenses in 2023 compared to 2022 is due to both the increase in production volume and the structure of shipbuilding sold in 2023. Overall, there is also an increase in stock expenses, by 94.29% compared to the previous year, this increase being also correlated with the fact that revenues from the sale of vessels also increased by 80.37%.

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

Şantierul Naval Orşova S.A.
Separate financial statements 2023 in accordance with IFRS as adopted by EU

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

8. Utility expenses

| | <u>2023</u> | <u>2022</u> |
|--------------|-------------------------|-------------------------|
| | RON | RON |
| Electricity | 2,011,388 | 1,507,386 |
| Water | 51,540 | 33,824 |
| Total | <u>2,062,928</u> | <u>1,541,210</u> |

In 2023, utility expenses increased compared to last year (by 33.85%), as production and revenues also increased, but supply tariffs also increased slightly.

We note that an influencing factor in this increase is also the method of presenting expenses using a classification based on their nature, according to IAS 1.

IAS 1.104

9. Personnel expenses

| | <u>2023</u> | <u>2022</u> |
|----------------------------|--------------------------|--------------------------|
| | RON | RON |
| Salaries | 27,856,130 | 22,078,313 |
| Social expenses | 2,551,871 | 2,191,510 |
| Total | <u>30,408,001</u> | <u>24,269,823</u> |
| Number of employees | 337 | 342 |

In 2023, employee benefit expenses are at a higher level, by 26.17% compared to 2022. This increase is due to the superior volume of production made and delivered in 2023, but also to the increase in the employment salaries of the Company's staff, starting with May 2023, by an average percentage of 10.29%, respectively to the increase, starting with January 2023, of the value of the meal voucher from 25 lei / meal ticket to 30 lei / meal ticket.

Other factors that influenced wage expense in 2023 included staff reductions and the structure of production costs in terms of presenting the cost of goods sold in accordance with IAS 1 requirements. Analyzed in correlation with salary expenses, in terms of social expenses and insurance contribution for work, we also note an increase of 16.44% compared to the previous year.

As in the case of the other categories of expenditure, in the presentation of personnel costs, an influencing factor in this increase is the method of presenting expenses using a classification based on their nature.

Şantierul Naval Orşova S.A.
Separate financial statements 2023 in accordance with IFRS as adopted by EU

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

10. Receivables allowances and inventories write-down

| | <u>2023</u> | <u>2022</u> |
|---|------------------------|-------------------------|
| | RON | RON |
| Losses due to various debts and debtors | 109,362 | - |
| Impairment of current assets | 60,329 | 290,161 |
| Income from current assets Impairment | (113,849) | (42,606) |
| Total | <u>(55,842)</u> | <u>(247,555)</u> |

The amounts disclosed above relate to impairment adjustments for inventories and other receivables made during 2023.

IAS 1.97

11. Other expenses

| | <u>2023</u> | <u>2022</u> |
|--|--------------------------|--------------------------|
| | RON | RON |
| Maintenance and repair expenses | 350,246 | 334,058 |
| Royalties and rental expenses | 83,566 | 76,767 |
| Insurance premiums | 156,242 | 145,832 |
| Commissions and fees | 23,502 | 36,406 |
| Protocol, promotion and advertising | 37,809 | 29,737 |
| Transport of goods and personnel | 1,752,204 | 1,660,680 |
| Travel | 108,890 | 43,768 |
| Postage and telecommunications | 50,052 | 48,299 |
| Bank commissions and similar charges | 54,274 | 96,658 |
| Other third party services | 12,465,675 | 6,787,246 |
| Other taxes, duties and similar expenses | 434,888 | 431,728 |
| Expenses with the environment protection | 10,592 | 15,626 |
| Other operating expenses | 146,589 | 328,637 |
| Compensations, fines and penalties | 7,594 | 28,860 |
| Total | <u>15,682,123</u> | <u>10,064,302</u> |

In 2023, the above level of expenses increased compared to the previous year (by 55.82%), those with a significant share referring to:

Şantierul Naval Orşova S.A.
Separate financial statements 2023 in accordance with IFRS as adopted by EU

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

IAS 1.97 **11. Other expenses**

- There is an increase in maintenance and repair expenses (by 4.85%). In 2023, the Company started the repair / painting / painting works of the workspaces (industrial halls), but also continued the repair actions of the transport and lifting equipment from the patrimony.
- In terms of rental expenses, they increased by 8.86% in 2023 compared to 2022, due to the slight increase in asset rental tariffs but also influences due to production in progress.
- Expenses with transport of goods and people increased (by 5.51%). These expenses are closely related to the volume of sales revenue, but an influencing factor in this increase is the method of presenting expenses using a classification based on their nature. These refer in particular to the transport of river vessels built at the main headquarters, on the route: Orşova – Rotterdam, or other handover points in the Netherlands or Germany, indicated in commercial contracts. Please note that, in accordance with the contractual provisions, the transfer of ownership is made with the delivery of the ships at these points, throughout the transport period the vessels being insured by the Company, according to the contractual clauses.
- We note a significant increase in third-party benefits in 2023 compared to 2022 (by 83.66%). In 2023, given the schedule and production volume, as well as the fact that the pontoon built for a domestic customer was fully equipped, the company resorted to subcontractors to a greater extent. As regards auditors' fees, included in the total amount under this heading, it is found that their level is close to that of the previous year. Specifically, they recorded the following values this year: 69,841 lei, including VAT, fees to statutory auditors (in the financial year 2022 these amounts totaled 69,894 lei, including VAT), and for internal audit services the amounts paid during the financial year 2022 were 42,508 lei, including VAT (for the financial year 2022, fees of 42,178 lei were paid, including VAT). The company did not contract tax consultancy services during the analyzed period.
- Regarding the position regarding compensation expenses, fines, in 2023 the company paid much lower amounts compared to 2022, mainly penalties provided for in commercial contracts.
- A significant increase (by 148.79%) is observed under the heading Expenses with travel, secondments and transfers. In 2023, the company recorded higher expenses of this nature mainly due to larger trips to the Agigea branch, but also to the fact that the company participated in two fairs in the Netherlands.

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

Şantierul Naval Orşova S.A.
Separate financial statements 2023 in accordance with IFRS as adopted by EU

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

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

Recognized in income statement

| | <u>2023</u> | <u>2022</u> |
|---|-----------------------|-----------------------|
| | RON | RON |
| <i>IFRS 7.20 (b)</i> Interest income on loans and receivables | - | - |
| <i>IFRS 7.20 (b)</i> Interest income related to deposits | 196,607 | 53,579 |
| <i>IAS 21.52 (a)</i> Income from exchange rate differences | 600,008 | 1,048,775 |
| Total financial revenue | 796,615 | 1,102,354 |
| Value adjustments in respect of financial assets | 0 | (56,116) |
| <i>IAS 7.20 (b)</i> Interest expense on leasing contracts | 57,548 | 26,649 |
| <i>IAS 21.52 (a)</i> Exchange rate differences expenses | 422,071 | 541,847 |
| Total financial expenses | 479,619 | 512,380 |
| Net financial result | <u>316,996</u> | <u>589,974</u> |

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

- interest income is mainly related to bank deposits established during the financial year ended 31.12.2023;
- in 2023, the company did not contract bank loans, did not use credit lines and, therefore, did not record bank interest expenses;
- expenses from exchange differences were lower than income from exchange differences, so that, in total for 2023, the Company recorded a net gain of 177,937 lei (in 2022: 506,928 lei). Foreign exchange gains were recorded both from the revaluation of foreign currency availabilities and from hedging transactions, concluded by the Company to protect itself against exchange rate depreciation.

Şantierul Naval Orşova S.A.
Separate financial statements 2023 in accordance with IFRS as adopted by EU

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

13a. Income tax expenses

| | | <u>2023</u> | <u>2022</u> |
|---------------|---|----------------|---------------|
| | | RON | RON |
| | a) Current income tax expenses | | |
| IAS 12.80 (a) | Current period | 412,474 | - |
| | b) Deferred income tax expenses | | |
| IAS 12.80 (c) | Initial recognition and reversal of temporary differences | 120,367 | 83,512 |
| | Total income tax expenses | 120,367 | 83,512 |
| IAS 12.81 (c) | c) Reconciliation of effective tax rate | | |
| | Profit for the period | 3,881,697 | (4,098,208) |
| | Non-deductible expenses | 892,303 | 1,614,375 |
| | Non-taxable incomes | (1,803,246) | (638,154) |
| | Elements similar to expenses | 1,493,615 | 1,360,582 |
| | Legal reserve | - | - |
| | Other taxable amounts | - | - |
| | Tax loss deduction | (1,761,405) | - |
| | Tax profit/loss | 2,702,964 | (1,761,405) |
| | Sponsorships | 20,000 | 16,204 |
| | Tax incentives | - | - |
| | Current income tax expense | 412,474 | - |
| | Profit after tax | 3,348,856 | - |

13b. Expenditure with the specific activity

Starting with 2017, with the entry into force of Law no. 170/2016 on the tax specific to certain activities, the Company owes this type of tax for the activity of the canteen operating under its subordination and whose main objective is to prepare and serve hot meals for its own employees. In the catalogue regarding the classification of economic activities in Romania, it is coded CAEN 5629 "Other food services n.c.a." and registered in the company's articles of incorporation as a secondary activity.

According to GEO 16/2022, starting with January 1, 2023, Law no. 170/2016 on the tax specific to certain activities was repealed.

Şantierul Naval Orşova S.A.
Separate financial statements 2023 in accordance with IFRS as adopted by EU

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

14. Deferred tax assets and liabilities

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

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

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

| | ASSETS | | LIABILITIES | | NET | |
|--|----------------|----------------|---------------|-----------------|----------------|----------------|
| | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 |
| Tangible Non-Current Assets | 237,578 | 214,168 | (15,423) | (91,159) | 253,001 | 305,327 |
| Stocks | - | - | - | - | - | - |
| Commercial receivables | - | - | - | - | - | - |
| Commercial debts | - | - | - | - | - | - |
| Subsidies | - | - | - | - | - | - |
| Provisions | - | - | - | - | - | - |
| Employee Benefits | 104,832 | 115,769 | 115,769 | 80,129 | (10,937) | 35,640 |
| Tax loss carried forward | - | - | - | - | - | - |
| Receivables/liabilities | - | - | - | - | - | - |
| Tax incentives | 1,400 | - | (1,584) | (15,083) | 2,984 | 15,083 |
| Tax offsets | - | - | - | - | - | - |
| Net Deferred tax assets/liabilities | 343,810 | 329,937 | 98,762 | (26,112) | 245,048 | 356,050 |

Şantierul Naval Orşova S.A.
Separate financial statements 2023 in accordance with IFRS as adopted by EU

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

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

| | | Land and buildings | Machines and Equipment | Furniture and fixtures | Work in progress | Total |
|---------------------------|--|-------------------------------|-----------------------------------|-----------------------------------|-----------------------------|--------------------------|
| | | RON | RON | RON | RON | RON |
| | Cost or assumed cost | | | | | |
| <i>IAS 16.73 (d)</i> | Balance at 1 January 2023 | 23,081,969 | 58,259,701 | 535,770 | 1,220,026 | 83,097,466 |
| <i>IAS 16.73 (e)(i)</i> | Acquisition | 8,300 | 6,554,825 | 40,826 | 2,937,278 | 9,541,229 |
| <i>IAS 16.73 (e)(ii)</i> | Disposals of tangible non-current assets | 8,316 | 2,974,464 | - | 2,754,469 | 5,737,249 |
| | Net reevaluation | - | (270,048) | | | (270,048) |
| <i>IAS 16.73 (d)</i> | Balance at 31 December 2023 | 23,081,953 | 61,570,014 | 576,596 | 1,402,835 | 86,631,398 |
| | Depreciation and impairments | | | | | |
| <i>IAS 16.73 (d)</i> | Balance at 1 January 2023 | 2,083,084 | 41,795,607 | 458,992 | - | 44,337,683 |
| <i>IAS 16.73 (d)(vii)</i> | Depreciation for the year | 2,091,807 | 2,818,936 | 18,876 | - | 4,929,619 |
| <i>IAS 16.73 (d)(vi)</i> | Reversal of impairment losses | | 23,592 | | - | 23,592 |
| <i>IAS 16.73 (d)(ii)</i> | Disposal of tangible non-current assets | 1,155 | 735,377 | - | - | 736,532 |
| | Discounts representing cancellation of depreciation due to revaluation | - | 783,535 | - | - | 783,535 |
| <i>IAS 16.73 (d)</i> | Balance at 31 December 2023 | 4,173,736 | 43,119,223 | 477,868 | - | 47,770,827 |
| <i>IAS 1.78 (a)</i> | Net book value | | | | | |
| | Balance at 1 January 2023 | <u>20,998,885</u> | <u>16,464,094</u> | <u>76,778</u> | <u>1,220,026</u> | <u>38,759,783</u> |
| | Balance at 31 December 2023 | <u>18,908,217</u> | <u>18,450,791</u> | <u>98,728</u> | <u>1,402,835</u> | <u>38,860,571</u> |

Şantierul Naval Orşova S.A.
Separate financial statements 2023 in accordance with IFRS as adopted by EU

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

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

On 31 December 2023, land has a book value of 1,201,941 RON and represents an area of 86,000 square meters, of which:

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

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

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

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

Revaluation of tangible non-current assets

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

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

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

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

Şantierul Naval Orşova S.A.
Separate financial statements 2023 in accordance with IFRS as adopted by EU

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

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

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

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

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

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

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

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

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

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

Şantierul Naval Orşova S.A.
Separate financial statements 2023 in accordance with IFRS as adopted by EU

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

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

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

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

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

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

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

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

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

Şantierul Naval Orşova S.A.
Separate financial statements 2023 in accordance with IFRS as adopted by EU

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

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

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

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

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

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

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

Şantierul Naval Orşova S.A.
Separate financial statements 2023 in accordance with IFRS as adopted by EU

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

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

valuer and based on the same rules on the registration of the resulting differences. For fixed assets located in conservation at the Agigea branch was recognized a total depreciation at the end of 2022 of 395,779.82 lei (as of 31.12.2021 this depreciation was of 435,721.16 lei).

On 31 December 2023, the Company proceeded to revalue tangible assets of the nature of means of shipping using the opinion of the same independent external valuer and relying on the same rules on recording the resulting differences. For fixed assets under conservation at the Agigea branch, a total depreciation of 419,372.21 lei was recognized at the end of 2023 (on 31.12.2022 this depreciation was 395,779.82 lei).

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

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

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

According to IFRS 13, valuation at fair value of buildings and means of naval shipping supposed taking into consideration the characteristics of the assets, which users of financial statements would consider in determining the price of the asset at the balance sheet date. Fair value determination was carried out by an independent external evaluator and shall be treated as level 2 under IFRS 13 for the data taken into account in determining the fair values as at 31 December 2023, the date of financial reporting. At the company level, there has not been any change of the level presented by IFRS 13 for the data taken into account in determining the fair values. Also, the maximum amount for assets valued at fair value does not differ from the current amount of use.

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

- RON-

| Name | Land | Plant | Equipment (Means of transport) |
|--|-------------|--------------|---|
| Fair value at 31.12.2023 | 1,201,941 | 21,880,012 | 6,363,606 |
| Revaluation surplus | 572,314 | 11,368,617 | 1,554,984 |
| Net book value according to cost model | 629,627 | 10,511,395 | 4,808,622 |

Impairment losses and subsequent reversals

On the occasion of the revaluation, on December 31, 2023, the depreciation test was also carried out for fixed assets in conservation at the Agigea branch, and following the processing of those data, a

Şantierul Naval Orşova S.A.
Separate financial statements 2023 in accordance with IFRS as adopted by EU

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

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

depreciation, in balance, amounting to 419,372.21 lei, related to fixed assets other than buildings, was also carried out. In the previous year, the value of the depreciations found was 395,779.82 lei.

Pledged or mortgaged tangible assets

To guarantee the multi-option and multi-currency global limit, in value of 1,500,000 EUR , made available by BRD-GSG SA, the Company established the following

- First rank mortgage on the following properties: Repair hall, New Hall, Thermal power station, Compressors Station and PSI Shed, Operating Group, Cafeteria, Merged building, all together with the related land, buildings assessed in accordance with the Warranty Monitoring Report at 1,512,800 EUR market value, registered in the Land Registry under the following numbers 1133, 1146, 1121, 1145, 1134, 1135 and 1132;
- Security interest with dispossession on a deposit in value of 401,201 EUR.
- Warrant in form of Assignment of receivables in total value of 10,283,000 EUR, resulting from signed contracts concluded by the company with third parties, contracts not received on 31.12.2023.

Tangible assets in progress

On 31.12.2023, the company had unfinished investment objectives in the total amount of 1,402,835 lei, consisting mainly, as in previous years, in modernization works of the launch pad at the Agigea subunit.

Changes in Accounting Estimates

On the occasion of the revaluation carried out on 31 December 2018 and 31 December 2021, some of the fixed assets that were fully depreciated were assigned a new use value, which led to a reconsideration of the service life, durations that were used starting with 2019 to calculate accounting depreciation.

Changes in classification

In 2023, the Company did not reclassify some assets.

According to IAS 40, in the financial year 2019, a building under the management of the Agigea branch (headquarters) was transferred from the category of fixed assets to the category of real estate investments, which was leased to third parties, this rental regime being maintained in 2023. In this regard, the presentations in Explanatory Note 19 Real estate investments will also be seen.

Şantierul Naval Orşova S.A.
Separate financial statements 2023 in accordance with IFRS as adopted by EU

Referință **NOTE LA SITUAȚII FINANCIARE INDIVIDUALE CONFORME CU IFRS**

IAS 38 **16. Intangible Assets**

| <i>IFRS 3.61</i> <i>IAS 38.118</i> <i>(c), (e)</i> | | <u>Goodwill</u> | <u>Patents and trademarks</u> | <u>Costuri dezvoltare</u> | <u>Other assets</u> | <u>Total</u> |
|--|--|-----------------|-----------------------------------|-------------------------------|-------------------------|---------------|
| | Cost | | | | | |
| <i>IFRS 3.B67</i> <i>(d)(viii),IAS</i> <i>38.118</i> | Balance at January 1, 2023 | - | - | - | 1,033,977 | 1,033,977 |
| <i>IAS 38.118(e)</i> | Acquisitions | - | - | - | 86,175 | 86,175 |
| | Disposal of intangible assets | | | | - | - |
| <i>IAS 38.118</i> | Balance at December 31,2023 | - | - | - | 1,120,152 | 1,120,152 |
| | Amortizare și pierderi din depreciere | | | | | |
| <i>IFRS 3.B67</i> <i>(d)(i),IAS</i> <i>38.118</i> | Balance at January 1, 2023 | - | - | - | 1,006,198 | 1,006,198 |
| <i>IAS</i> <i>38.118(e)(vi)</i> | Amortization during the year | - | - | - | 32,790 | 32,790 |
| <i>IAS</i> <i>38.118(e)(iv)</i> | Impairments | | | | | |
| | Disposal of intangible assets | | | | - | - |
| <i>IFRS 3.B67</i> <i>(d)(viii),IAS</i> <i>38.118</i> | Balance at December 31,2023 | - | - | - | 1,038,988 | 1,038,988 |
| | Valori contabile | | | | | |
| <i>IAS 38.118(c)</i> | Balance at January 1, 2023 | - | - | - | <u>27,779</u> | <u>27,779</u> |
| <i>IAS 38.118(c)</i> | Balance at December 31, 2023 | - | - | - | <u>81,164</u> | <u>81,164</u> |

Şantierul Naval Orşova S.A.
Separate financial statements 2023 in accordance with IFRS as adopted by EU

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

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

As of 2019, IFRS 16 Leases became applicable. Since the company has certain leases, as a lessee, with a term of 12 months or less and low-value leases, it applies for these contracts the exception for the recognition of short-term leases and low-value leases.

We mention that the company, at the headquarters of the Agigea branch, holds the right to use the land owned by the National Company Administration of Maritime Ports Constanta.T

| | Total land use rights | Total rights to use of assets |
|----------------------------|------------------------------|--------------------------------------|
| Cost | | |
| At 1st january 2019 | 0 | 0 |
| Entries | 2,502,294 | 2,502,294 |
| At 31 december 2019 | 2,502,294 | 2,502,294 |
| Entries | 94,066 | 94,066 |
| At 31 december 2020 | 2,596,360 | 2,596,360 |
| Entries | 142,574 | 142,574 |
| At 31 december 2021 | 2,738,935 | 2,738,935 |
| Entries | 116,674 | 116,674 |
| At 31 december 2022 | 2,855,609 | 2,855,609 |
| Entries | 44,892 | 44,892 |
| At 31 december 2023 | 2,900,501 | 2,900,501 |
| Amortization | | |
| At 1 january 2019 | 0 | 0 |
| Annual amortization | 125,115 | 125,115 |
| At 31 december 2019 | 125,115 | 125,115 |
| Annual amortization | 520,262 | 520,262 |
| At 31 december 2020 | 645,377 | 645,377 |
| Annual amortization | 533,595 | 533,595 |
| At 31 december 2021 | 1,178,973 | 1,178,973 |
| Annual amortization | 567,259 | 567,259 |
| At 31 december 2022 | 1,746,232 | 1,746,232 |
| Annual amortization | 658,463 | 658,463 |
| At 31 december 2023 | 2,404,695 | 2,404,695 |
| Net book value | | |
| At 31 december 2019 | 2,377,179 | 2,377,179 |
| At 31 december 2020 | 1,950,983 | <u>1,950,983</u> |
| At 31 december 2021 | 1,559,962 | <u>1,559,962</u> |
| At 31 december 2022 | 1,109,377 | <u>1,109,377</u> |
| At 31 december 2023 | 495,806 | <u>495,806</u> |

Şantierul Naval Orşova S.A.
Separate financial statements 2023 in accordance with IFRS as adopted by EU

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

17. Right-of-use assets (continued)

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

| | <u>2023</u> | <u>2022</u> | <u>2021</u> |
|---------------------------------------|----------------|----------------|----------------|
| Expenditure with related amortization | | | |
| Usage rights | 658,463 | 567,259 | 533,595 |
| Interest on lease debt | 57,548 | 26,650 | 35,702 |
| Totals | 716,011 | 593,909 | 569,297 |

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

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

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

| Other investment | 2023 | | | 2022 | | |
|-----------------------------------|-----------------------|--------------------------|-----------------|-----------------------|------------------------|-----------------|
| | Book value | Allowance for impairment | Net worth | Book value | Impairment adjustments | Net worth |
| Long-term investment | | | | | | |
| Shares held at Kritom | 684,495 | 684,495 | 0 | 684,495 | 684,495 | 0 |
| Total long-term investment | <u>684,495</u> | <u>684,495</u> | <u>0</u> | <u>684,495</u> | <u>684,495</u> | <u>0</u> |

Şantierul Naval Orşova S.A.
Separate financial statements 2023 in accordance with IFRS as adopted by EU

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

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

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

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

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

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

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

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

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

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

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

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

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

Şantierul Naval Orşova S.A.

Separate financial statements 2023 in accordance with IFRS as adopted by EU

Reference NOTES TO SEPARATE FINANCIAL STATEMENTS IN ACCORDANCE WITH IFRS

IAS 40 19. Investment property

| | | <u>2023</u> | <u>2022</u> |
|---------------------|---|-----------------------|-----------------------|
| | | RON | RON |
| <i>IAS 40.76(a)</i> | Balance on January 1st | 596,638 | 522,236 |
| <i>IAS 40.76(f)</i> | Acquisitions | 9,809 | 71,537 |
| <i>IAS 40.76(d)</i> | Transfer from tangible assets | 0 | 0 |
| <i>IAS 40.76(d)</i> | Free transfer/depreciation, transfer to tangible assets | 0 | (2,865) |
| | Balance at December 31 | <u>606,447</u> | <u>596,638</u> |

Starting with September 2019, the Agigea branch proceeded to lease a building located in Constanta, called "Headquarters", to City Protect and Protect Instal. The rental period, according to the contracts in force, ends on 31.12.2024.

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

On 31.12.2023 the real estate investment was revalued by an independent external valuer.

The valuation method used was the income approach.

20. Inventories

| | | <u>2023</u> | <u>2022</u> |
|-----------------------------|---------------------------------|--------------------------|--------------------------|
| | | RON | RON |
| <i>IAS 1.78 (c),2.36(b)</i> | Raw materials and consumables | 7,170,949 | 21,879,261 |
| <i>IAS 1.78(c), 2.36(b)</i> | Work in progress | 22,522,876 | 29,608,811 |
| | Write-downs | (725,939) | (674,372) |
| | Inventories at net value | <u>28,967,886</u> | <u>50,813,700</u> |

IAS 1.104,2.36(e)(f) Stocks are down 42.99% year-over-year. The maintenance of inflationary trends in 2023 for raw materials and materials, the preponderant delivery in 2024 of raw materials and materials related to constructions that will be completed in the following year, led to a lower level of stocks at the end of the year. For sheet stocks older than 3 years and for other stocks older than 2 years, without movement, the Company adjusted the book value, constituting a total depreciation of 725,939 lei.

Evolution of inventory write-downs

| | | <u>2023</u> | <u>2022</u> |
|-----------------------------|------------------------|-------------------------|-------------------------|
| | | RON | RON |
| <i>IAS 1.104,2.36(e,g)</i> | Opening balance | (674,372) | (589,946) |
| <i>IAS 1.104, 2.36(e,g)</i> | Write-downs reversal | 6,807 | 20,064 |
| <i>IAS 1.104, 2.36(e,g)</i> | Write-downs | (58,374) | (104,490) |
| | Closing balance | <u>(725,939)</u> | <u>(674,372)</u> |

Şantierul Naval Orşova S.A.

Separate financial statements 2023 in accordance with IFRS as adopted by EU

Reference NOTES TO SEPARATE FINANCIAL STATEMENTS IN ACCORDANCE WITH IFRS

21. Fixed assets held for sale

In 2023, the company did not register operations with non-current assets held for sale.

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

| | <u>2023</u> | <u>2022</u> |
|--|--------------------------|-------------------------|
| | RON | RON |
| <i>IAS 1.78 (b)</i> Trade receivables in relation to related parties | 97,098 | - |
| Loans to directors | - | - |
| <i>IAS 1.78 (b)</i> Trade receivables | 11,497,720 | 1,616,760 |
| Impairment adjustments for trade receivables | (166,620) | (166,620) |
| <i>IFRS 7.8(c)</i> Loans and net receivables | 11,428,198 | 1,450,140 |
| Long term | | |
| Receivables – total | 815,693 | 699,141 |
| Sundry debtors | 408,936 | 514,341 |
| Suppliers – debtors | 107,073 | 34,150 |
| VAT receivable and under settlement | 84,179 | 270,978 |
| Allowances for other receivables | (408,160) | (513,248) |
| Deferred expenses | 153,995 | 161,622 |
| Other expenses | 469,670 | 222,722 |
| Accrued expenses | 0 | 8,576 |
| Total | <u>12,243,891</u> | <u>2,149,281</u> |

Trade receivables, as of December 31, 2023, registered an increase compared to the corresponding period of 2022 (by 469.67%). The significant increase is registered for trade receivables, but we specify that the balance of uncollected invoices refers to current invoices, most of which are already collected in the first days of 2024.

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

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

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

Şantierul Naval Orşova S.A.

Separate financial statements 2023 in accordance with IFRS as adopted by EU

Reference NOTES TO SEPARATE FINANCIAL STATEMENTS IN ACCORDANCE WITH IFRS

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

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

| Currency | <u>2023</u> | <u>2022</u> |
|----------|-------------|-------------|
| | RON | RON |
| USD | | - |
| EUR | 9,899,418 | 217,757 |
| RON | 1,695,400 | 1,399,003 |

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

| | <u>2023</u> | <u>2022</u> |
|---------------------------------|----------------|----------------|
| | RON | RON |
| On 1 January | 166,620 | 166,620 |
| Allowances reversed | - | - |
| Recognized allowances | - | - |
| Balance at end of period | 166,620 | 166,620 |

In 2023, no impairments were established/resumed in connection with the Company's trade receivables.

23. Short term investments

| | <u>2023</u> | <u>2022</u> |
|---------------------------------------|-------------------------|-------------------------|
| | RON | RON |
| Deposits in banks in RON | 4,500,000 | 904,000 |
| Deposits in banks in foreign currency | 1,995,815 | 2,183,107 |
| Total | <u>6,495,815</u> | <u>3,087,107</u> |

Şantierul Naval Orşova S.A.

Separate financial statements 2023 in accordance with IFRS as adopted by EU

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

23. Short term investments (continued)

Deposits with banks in lei and deposits with banks in foreign currency (euro), submitted by the Company as other short-term investments as at December 31, 2023, refer to deposits with a maturity between 3 months and one year.

24. Cash and cash equivalents

| | <u>2023</u> | <u>2022</u> |
|---|--------------------------|-------------------------|
| | RON | RON |
| Bank accounts in RON | 4,721,820 | 2,235,772 |
| Bank account in foreign currencies (euro) | 7,209,205 | 6,609,740 |
| Petty cash in RON | 9,264 | 5,795 |
| Petty cash in foreign currencies | - | - |
| Other values | 3,414 | 1,101 |
| Total | <u>11,943,703</u> | <u>8,852,408</u> |

The amounts in cash and cash equivalent registered an increase compared to the previous period (by 34.92%), as a result of the collection of advances and trade receivables towards the end of 2023.

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

Şantierul Naval Orşova S.A.

Separate financial statements 2023 in accordance with IFRS as adopted by EU

Reference NOTES TO SEPARATE FINANCIAL STATEMENTS IN ACCORDANCE WITH IFRS

25. Capital and reserves

Share capital

IFRS 7.7 The share capital structure on December 31, 2023 is as follows:

IAS

1.79(a)(i),(iii)

| | <u>Number of shares</u> | <u>Amount</u> | <u>Percentage (%)</u> |
|-------------------------------|--------------------------|--------------------------|-----------------------|
| | | (RON) | |
| Sea Container SERVICES S.R.L. | 5,711,432 | 14,278,580 | 49,9998 |
| SIF 4 Muntenia | 4,704,937 | 11,762,342 | 41,1886 |
| Other corporate shareholders | 203,529 | 508,823 | 1,7818 |
| Other individual shareholders | 803,021 | 2,007,553 | 7,0299 |
| | <u>11,422,919</u> | <u>28,557,298</u> | <u>100</u> |

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

Compared to the shareholding structure communicated by the Central Depository for the reference date 31.12.2022, there are changes in significant shareholders. Thus, in November 2023, significant changes occurred in the shareholder structure, meaning that the shareholders Transilvania Investments Alliance S.A. and Infinity Capital Investments S.A. sold their holdings in our company to Sea Container Services S.R.L., respectively SIF 4 Muntenia. We mention that during 2023, SIF 5 Oltenia Company changed its name to Infinity Capital Investments S.A.

Changes occurred at the level of other shareholders natural and legal persons, meaning that there was a slight increase in the holdings of legal entities to the detriment of individuals.

| Shareholders name | Percentage of ownership (%) | |
|-----------------------------------|-----------------------------|----------------------|
| | <u>2023</u> | <u>2022</u> |
| Transilvania Investments Alliance | 0 | 49.9998 |
| Infinity Capital Investments | 0 | 28.0168 |
| Sea Container Services S.R.L. | 49,9998 | 0 |
| SIF 4 Muntenia | 41,1886 | 13.1717 |
| Other corporate shareholders | 1,7818 | 1,7173 |
| Other individual shareholders | 7,0299 | 7,0944 |
| Total | <u>100.00</u> | <u>100.00</u> |

Şantierul Naval Orşova S.A.

Separate financial statements 2023 in accordance with IFRS as adopted by EU

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

25. Capital and reserves (continued)

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

The identification data of each shareholder, their contribution to the share capital, the number of shares owned and the shareholder's participation in the total share capital are mentioned in the shareholders' register kept by the registry company (Bucharest Central Depository) contractually designated for this purpose. Each share subscribed and paid by shareholders according to the law confers on them the right to one vote in the General Meeting of Shareholders, the right to elect or be elected to management bodies, the right to participate in the distribution of profits or any rights derived from the quality of shareholder.

Ownership of the share implies legal adherence to the statutes and subsequent amendments.

During 2023, there were no changes in the share capital.

Reserves

The company distributed, until the end of 2020, to legal reserves 5% of the profit before tax, up to the limit of 20% of the share capital. These amounts were deducted from the tax base when calculating corporate income tax. Legal reserves may not be distributed to shareholders.

During 2023, the company did not establish legal reserves because it reached the threshold of 20% of the share capital, according to art. 183 of the Companies Law no. 31/1990, republished, with subsequent amendments and completions.

| Revaluation reserve | Total reserve | Reserves taxed | Untaxed reserves |
|------------------------|---------------|----------------|------------------|
| Recorded before 2004 | 5,823,692 | - | 5,823,692 |
| Recorded at 31.12.2006 | 1,479,579 | 975,316 | 504,263 |
| Recorded at 31.12.2007 | 3,779,015 | 1,625,241 | 2,153,774 |
| Recorded at 31.12.2009 | 1,015,329 | 589,718 | 425,611 |
| Recorded at 31.12.2012 | 2,012,372 | 1,173,580 | 838,792 |
| Recorded at 31.12.2013 | 147,622 | 93,050 | 54,572 |
| Recorded at 31.12.2014 | 113,996 | 63,017 | 50,979 |
| Recorded at 31.12.2015 | 4,499,055 | 1,978,514 | 2,520,541 |
| Recorded at 31.12.2016 | 86,305 | 34,318 | 51,987 |
| Recorded at 31.12.2017 | 102,030 | 31,637 | 70,393 |
| Recorded at 31.12.2018 | 5,197,983 | 1,979,503 | 3,218,480 |
| Recorded at 31.12.2019 | 127,351 | 22,741 | 104,610 |
| Recorded at 31.12.2021 | 4,137,801 | 933,316 | 3,204,485 |
| Recorded at 31.12.2023 | 38,638 | - | 38,638 |
| TOTAL | 28,560,768 | 9,499,951 | 19,060,817 |

Revaluation reserves related to revaluations made after January 1, 2004 will be taxed simultaneously with the deduction of tax depreciation when calculating taxable profit, respectively at the time of

Şantierul Naval Orşova S.A.

Separate financial statements 2023 in accordance with IFRS as adopted by EU

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

25. Capital and reserves (continued)

deduction from management of fixed assets to which these reserves refer, according to tax regulations.

IAS 1.107 **Profit appropriation / Dividends declared and paid**

No dividends were distributed or paid during 2023.

Şantierul Naval Orşova S.A.**Separate financial statements 2023 in accordance with IFRS as adopted by EU****Reference NOTES TO SEPARATE FINANCIAL STATEMENTS IN ACCORDANCE WITH IFRS****26. Earnings per share**

Earnings per share is calculated by dividing the net profit or loss for the year by the weighted average number of ordinary shares outstanding at the end of the year. Diluted earnings per share are determined by adjusting the net profit attributable to holders of ordinary shares and the weighted average number of shares in circulation, adjusted for the value of own shares held, with the diluting effects of all potential ordinary shares.

IAS Profit attributable to ordinary shares

33.70(a)

| | <u>2023</u> | <u>2022</u> |
|--|-------------------------|---------------------------|
| Profit (loss) for the period | 3,453,687 | (4,215,117) |
| Dividends for unredeemed preference shares | - | - |
| Profit (loss) attributable to ordinary shares | <u>3,453,687</u> | <u>(4,215,117)</u> |

IAS Weighted average number of ordinary shares

33.70(b)

| | <u>2023</u> | <u>2022</u> |
|---|-------------|-------------|
| Ordinary shares issued on 1 January | 11,422,919 | 11,422,919 |
| Effect of own shares held | - | - |
| Effect of share options exercised | - | - |
| Weighted average number of ordinary shares at 31 December | 11,422,919 | 11,422,919 |

IAS Profit attributable to ordinary shareholders

33.70(a)

(diluted)

| | <u>2023</u> | <u>2022</u> |
|---|-------------------------|---------------------------|
| Profit attributable to ordinary shareholders (basic) | 3,453,687 | (4,215,117) |
| Interest expense related to convertible bonds after tax | | |
| Profit attributable to ordinary shareholders (diluted) | <u>3,453,687</u> | <u>(4,215,117)</u> |

Şantierul Naval Orşova S.A.

Separate financial statements 2023 in accordance with IFRS as adopted by EU

Reference NOTES TO SEPARATE FINANCIAL STATEMENTS IN ACCORDANCE WITH IFRS

26. Earnings per share (continued)

| <i>IAS 33.70(b)</i> Weighted average number of ordinary shares (diluted) | <u>2023</u> | <u>2022</u> |
|--|-------------|---------------|
| Weighted average number of ordinary shares (basic) | 11,422,919 | 11,422,919 |
| Effect of conversion of convertible bonds | - | - |
| Effect of share options issued | - | - |
| Weighted average number of the ordinary shares (diluted) at 31 December | 11,422,919 | 11,422,919 |
| Earnings per share | 0.30 | (0.01) |

27. Loans

IFRS 7.7,8 This note provides information on the contractual terms of the Company's interest-bearing loans, valued at amortised cost. For more information on the Company's exposure to interest rate risk, currency risk and liquidity risk, see also in note 28 of this package of notes to financial statements.

As of December 31, 2023, the Company did not have bank loans in its balance, nor did it have on December 31, 2022.

The amounts of guarantees granted by the Company for the global multi-option and multi-currency ceiling are shown below:

| <u>Explanations guarantees</u> | <u>2023</u> | <u>2022</u> | |
|--------------------------------|-------------|-------------|-----|
| | RON | RON | |
| Land | 612,373 | 584,951 | BRD |
| Buildings | 6,913,202 | 6,781,477 | BRD |
| Receivables | 51,153,812 | 47,554,409 | BRD |
| Pledge (collateral deposit) | 1,995,815 | 1,985,023 | BRD |

1. As of December 31, 2023, the company had approved – as shown – a single global ceiling at BRD guaranteed as below.

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

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

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

27. Loans (continued)

- 2015 - 1,615,300 EUR (* 4.5245 RON/EUR=7,308,424 RON)
 - 2016 – 1,512,800 EUR (* 4.5411 RON/EUR=6,869,776 RON)
 - 2017– 1,512,800 EUR (* 4.6597 RON/EUR=7,049,194 RON)
 - 2018 - 1,512,800 EUR (* 4.6639 RON/EUR=7,055,548 RON)
 - 2019 - 1,512,800 EUR (* 4,7793 RON/EUR = 7,230,125 RON)
 - 2020 - 1,512,800 EUR (*4,8694 RON/EUR = 7,366,428 RON)
 - 2021 – 1,512,800 EUR (*4.9481 RON/EUR = 7,485,486 RON)
 - 2022 – 1,512,800 EUR (*4,9474 lei/EUR = 7,484,427 RON)
 - 2023 - 1,512,800 EUR (*4,9746lei/EUR = 7,525,575 RON)
3. Receivables -value of letters of credit that will be charged by the concerned bank (BRD):
- 2013 - 3,566,760 EUR (* 4.4847 RON/EUR= 15,995,848 RON)
 - 2014 - 2,213,440 EUR (* 4.4821 RON/EUR= 9,920,859 RON)
 - 2015 - 4,472,000 EUR (* 4.5245 RON/EUR= 20,233,564 RON)
 - 2016 - 2,480,000 EUR (* 4.5411 RON/EUR=11,261,928 RON)
 - 2017- 0 EUR (* 4.6597 RON/EUR= 0 RON)
 - 2018—1,745,000EUR (*4.6639 RON/EUR=8,138,506 RON) + assignment
receivables 11,197,000EUR*4.6639=52,221,688 RON
 - 2019 - 2,310,000 EUR (* 4,7793 RON/EUR = 11,040,183 RON) + assignment
receivables 9,842,730 EUR * 4.7793 = 47,041,359 RON
 - 2020 - 0 EUR
 - 2021 – 0 EUR
 - 2022 – 2,165,500 EUR (*4.9474 lei/EUR = 10.711.121 RON)
 - 2023 – 0 EUR
4. Pledge on a deposit in the amount of 401,201 EUR BRD, plus accrued interest of:
- 2013 - 589,000 EUR (* 4.4847 RON/EUR= 2,641,488 RON)
 - 2014 - 589,000 EUR (* 4.4821 RON/EUR= 2,639,957 RON)
 - 2015 - 642,714.64 EUR (* 4.5245 RON/EUR=2,907,962 RON)
 - 2016 – 400,000 EUR (* 4.5411 RON/EUR=1,816,440 RON)
 - 2017- 400,600 EUR (* 4.6597 RON/EUR=1,863,80 RON)
 - 2018 - 401,000 EUR (* 4.6639 RON/EUR = 1,870,227 RON)
 - 2019 - 401,201 EUR (* 4.7793 RON/EUR = 1,917,460 RON)
 - 2020 - 401,201 EUR (* 4.8694 RON/EUR = 1,953,608 RON)
 - 2021 – 401,201 EUR (* 4.9481 RON/EUR = 1.985.183 RON)
 - 2022 – 401,201 EUR (* 4,9474 lei/EUR = 1.985.022 RON)
 - 2023 – 401,201 EUR (*4,9746 lei/EUR = 1,995,815 RON)

By credit agreement no. 70 / 31.07.2013 and addendum no. 12 / 27.06.2023, BRD-GSG Orşova granted the Company a credit facility in the form of an unconfirmed, multi-options and multi-currency global ceiling, amounting to EUR 1,500,000 (one million five hundred thousand), valid until 30.06.2024 and a ceiling for covering foreign exchange risk amounting to USD 2,069,000.

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

27. Loans (continued)

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

- Unconfirmed and bi-currency credit line facility in value of maximum 1,500,000 EUR, usable in the following currencies: RON and EUR;
- Facility for issuing letters of guarantee ("SGB facilities") - a maximum of 1,500,000 EUR, usable in the following currencies: RON and EUR, with an issuing date valid until 30.06.2024. Validity of guarantee letters issued shall not exceed 24 months from the issue date;
- Facility for the letters of credit opening – amounted to 500,000 EUR with maturity for 24 months.

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

28. Leases' liabilities

Financial leases

As of December 31, 2023, the Company has not concluded financial leasing contracts.

Operating leases

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

The maturity of the leasing liabilities is as follows:

| | 2023 | 2022 | 2021 | 2020 |
|---------------------------------|----------------|------------------|------------------|------------------|
| Initial year | | | | |
| Year 1 | | | | 502.135 |
| Year 2 | | | 525.239 | 512.270 |
| Year 3 | | 568.917 | 568.917 | 522.610 |
| Year 4 | 634.972 | 634.972 | 580.401 | 533.159 |
| Year 5 | 549.970 | 505.078 | 442.976 | 406.920 |
| Total | 1.184.942 | 1.708.967 | 2.117.533 | 2.477.094 |
| Debt balance 31 december | 549.970 | 1.140.051 | 1.592.294 | 1.974.959 |
| - Long term | - | 505.079 | 1.023.377 | 1.462.689 |
| - Short term | 549.970 | 634.972 | 568.917 | 512.270 |

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

29. Employee benefits

a) The remuneration of directors and administrators

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

The fixed monthly remuneration of directors for the period 01 January - 31 December 2023 amounted to 593,447 lei (597,996 lei in 2022), in accordance with the provisions of the Articles of Association and the remuneration policy of the Company.

In 2023, variable remuneration was not granted to directors and the managing director.

The Company did not grant advances or credits to directors or directors during the financial year ended December 31, 2023.

Wage expenses

| | Financial year ended at <u>31 December 2023</u> RON | Financial year ended at <u>31 December 2022</u> RON |
|----------------|--|--|
| Administrators | 593,447 | 597,996 |
| Directors | 1,279,500 | 1,188,461 |
| | 1,872,947 | 1,786,457 |

As far as the Board of Directors is concerned, during 2023 there were changes in its composition, as follows:

- On 31.05.2023, Mr. Mircea Ion Sperdea resigned from the position of member of the Board of Directors, Mr. Chindris Gheorghe being provisionally appointed to the vacant position;
- On 16.11.2023, Mr. Enescu Radu Valentin and Mr. Chindris Gheorghe renounced their mandates as directors of the company, so that, on the vacant positions, the Board of Directors appointed as provisional members Mr. Ion Dumitru and Mr. Fainarea Marius.

Thus, the composition of the Board of Directors on 31.12.2023 is as follows:

- Mr. Rosca Radu-Claudiu – President
- Mr. Ion Dumitru - Vice-president
- Mr. Fainarea Marius – Member
- Mr. Zoescu Mihai – Member
- Mr. Mihai Constantin-Marian – Member

Şantierul Naval Orşova S.A.

Separate financial statements 2023 in accordance with IFRS as adopted by EU

Reference NOTES TO SEPARATE FINANCIAL STATEMENTS IN ACCORDANCE WITH IFRS

29. Employee benefits (continued)

The indemnities and other rights granted to directors are provided in art. 19 of the Articles of Association and in the management contracts, which were approved in the General Meeting of Shareholders on October 2, 2020, respectively in the General Meeting of Shareholders on May 29

2023, and the salary and other rights due to the Director General were established by the Board of Directors, within the limits provided in art. 22 of the Articles of Association and, respectively, of the Mandate Agreement concluded between the Board of Directors and the Director General. The mandate of the current Board of Directors ends on December 28, 2025 and that of the General Manager ends on 09.11.2026.

Salaries payable due at period end:

| | 31 December 2023 | 31 December 2022 |
|----------------|-------------------------|-------------------------|
| | RON | RON |
| Administrators | 28,931 | 29,154 |
| Directors | 23,047 | 30,031 |
| | 51,978 | 59,185 |

b) Employees

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

| | Financial year ended at <u>31 December 2023</u> | Financial year ended at <u>31 December 2022</u> |
|---------------------------|--|--|
| Administrative staff | 44 | 44 |
| Direct productive staff | 237 | 237 |
| Indirect productive staff | 56 | 61 |
| | 337 | 342 |

Şantierul Naval Orşova S.A.

Separate financial statements 2023 in accordance with IFRS as adopted by EU

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

30. Provisions

| | | <u>Warranty</u> | <u>Employee benefits</u> | <u>Litigations</u> | <u>Other Provisions</u> | <u>Total</u> |
|-------------------------------|---|-----------------|------------------------------|--------------------|-----------------------------|------------------|
| <i>IAS</i> <i>37.84(a)</i> | Balance at January 1, 2023 | - | <u>145,527</u> | <u>956,035</u> | <u>578,030</u> | <u>1,679,592</u> |
| <i>IAS</i> <i>37.84(b)</i> | Provisions recognized during the current period | - | 60,425 | - | 594,773 | 655,198 |
| <i>IAS</i> <i>37.84(c)</i> | Reversal of provisions during the current period | - | - | - | - | - |
| <i>IAS</i> <i>37.84(d)</i> | Complete reversal of provisions during the current period | - | 145,527 | 956,035 | 578,030 | 1,679,592 |
| <i>IAS</i> <i>37.84(a)</i> | Balance at December 31, 2023 | - | <u>60,425</u> | <u>0</u> | <u>594,773</u> | <u>655,198</u> |

Provisions for employee benefits

As of December 31, 2023, the company had provisions for employee benefits upon retirement amounting to RON 60,425 (RON 156,916 as of December 31, 2022).

IAS 1.125 **Litigation**

As of December 31, 2023, the Company has no provisions for litigation. The provision in the amount of 956,035 lei, representing interest-damages requested by the former President of the Board of Directors of the Company - Mr. Fercală Mihai and by a former member of the Board of Directors - Mr. Pantea Marius Ioan, for the revocation from the positions held, before the expiration of the mandate, were resumed to income during 2023, the disputes in question being finally settled in favor of the company.

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

30. Provisions (continued)

Other provisions

On December 31, 2023, the company had provisions for unpaid holidays amounting to RON 594,773 (2022: RON 578,030).

31. Trade payables and other liabilities

| | <u>2023</u> | <u>2022</u> |
|--|--------------------------|--------------------------|
| | RON | RON |
| Trade payables - short term | 10,170,697 | 17,623,350 |
| - <i>Supplier debts</i> | 1,479,712 | 1,285,352 |
| - <i>Advances received from customers</i> | 8,690,985 | 16,337,998 |
| Social security and other taxes | 1,211,915 | 1,104,492 |
| Suppliers - invoices to be received | 810,355 | 1,103,355 |
| Other creditors | 1,691,827 | 1,833,827 |
| Commercial debts – long term (leasing, guarantees) | 60,040 | 555,829 |
| Total | <u>13,944,834</u> | <u>22,220,853</u> |

Short-term commercial liabilities mainly relate to payment obligations to suppliers and advances received from customers, with both types of obligations decreasing compared to the previous year

32. Financial instruments

General presentation

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

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

These notes disclose information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for risk assessment and management, and the procedures used to manage capital. Other quantitative information is also included in these separate financial statements.

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

32. Financial instruments (continued)

The general risk management

The Board of Directors has overall responsibility for establishing and supervising the overall risk management framework at Company level.

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

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

The Company's internal auditor performs standard and ad hoc review missions of controls and risk management procedures, the results of which are presented to the Board of Directors.

Credit risk

Credit risk is the risk that the Company incurs a financial loss as a result of the default of a client or counterparty to a financial instrument, and this risk results mainly from the Company's trade receivables and financial investments.

Credit risk arises when a counterparty's default could reduce cash flow inflows from trade receivables presented at the date of the financial statements. The company has a significant concentration of credit risk. The company applies specific policies to ensure that the sale of products and services is carried out in such a way that the trade credit granted is adequate and continuously monitors the age of receivables.

Credit risk exposure

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

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

| | <u>Note</u> | <u>2023</u> | <u>2022</u> |
|---------------------------|-------------|-------------|-------------|
| | | RON | RON |
| Trade receivables | 22 | 11,594,818 | 1,616,760 |
| Cash and cash equivalents | 24 | 11,943,703 | 8,852,408 |

Şantierul Naval Orşova S.A.

Separate financial statements 2023 in accordance with IFRS as adopted by EU

Reference NOTES TO SEPARATE FINANCIAL STATEMENTS IN ACCORDANCE WITH IFRS

32. Financial instruments (continued)

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

| | <u>2023</u> | <u>2022</u> |
|-----------------|--------------------------|-------------------------|
| | RON | RON |
| Internal market | 1,695,400 | 1,399,003 |
| USD area | - | - |
| EUR area | 9,899,419 | 217,757 |
| Other regions | - | - |
| | <u>11,594,818</u> | <u>1,616,760</u> |

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

| | <u>2023</u> | <u>2022</u> |
|-----------------|--------------------------|-------------------------|
| | RON | RON |
| Wholesalers | - | - |
| Retailers | - | - |
| Final consumers | - | - |
| Others | 11,594,818 | 1,616,760 |
| TOTAL | <u>11,594,818</u> | <u>1,616,760</u> |

The company, by virtue of the nature of its activity, markets its products and services on the foreign market, particularly in the European Community. The products produced are of high value (sea and river vessels) with a long manufacturing cycle and address a relatively narrow market segment. That is why, when concluding commercial contracts, it is envisaged, as far as possible, to collect an advance when signing the contract, and in order to collect the difference, it is provided to guarantee the payment by an irrevocable letter of credit. The number of customers and the percentages held in the total deliveries for the last 2 years are as follows:

| CLIENT / BENEFICIARY | YEAR 2022 | YEAR 2021 |
|--|-------------|-------------|
| Rensen Driessen Shipbuilding B.V. (NL) | 38,59% | 77,07% |
| Gebr De Jonge (NL) | 39,49% | - |
| GEFO GESELLSCHAFT FUR OEL TRANSPORT | 12,82% | 22,93% |
| BLACK SEE (RO) | 9,10% | - |
| TOTAL | 100% | 100% |

Şantierul Naval Orşova S.A.

Separate financial statements 2023 in accordance with IFRS as adopted by EU

Reference NOTES TO SEPARATE FINANCIAL STATEMENTS IN ACCORDANCE WITH IFRS

32. Financial instruments (continued)

In the financial year 2023, deliveries of ships built in Orsova were concentrated to 2 customers (Rensen Driessen Shipbuilding B.V. and Gebr De Jonge), and as a share it is noted that deliveries to Gebr De Jonge were higher than those to Rensen Driessen Shipbuilding B.V. (in recent years Rensen Driessen Shipbuilding B.V. held the dominant position in total deliveries). We mention the delivery in 2023 of a pontoon to an internal customer.

Regarding the ship repair activity, carried out mainly by the Agigea branch, it had as main clients the companies NAVROM GALATI and ADM ROMANIA LOGISTICS.

Receivables Allowances

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

| | Depreciation | Gross | Depreciation | Gross |
|--|---------------------|-------------------|---------------------|------------------|
| | 2023 | Value | 2022 | Value |
| | lei | lei | lei | lei |
| Before due | - | 11,318,792 | - | 1,232,524 |
| Overdue from 30 days -1 year | - | - | - | 217,616 |
| Overdue from more than one year or litigious | (166,620) | 276,026 | (166,620) | 166,620 |
| Total | (166,620) | 11,594,818 | (166,620) | 1,616,760 |

Liquidity risk

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

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

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

| Variable rate loans | 2023 | 2022 |
|----------------------------|-------------|-------------|
| Up to 1 year | - | - |
| Between 1 and 5 years | - | - |
| Over 5 years | - | - |

Şantierul Naval Orşova S.A.

Separate financial statements 2023 in accordance with IFRS as adopted by EU

Reference NOTES TO SEPARATE FINANCIAL STATEMENTS IN ACCORDANCE WITH IFRS

32. Financial instruments (continued)

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

IFRS 7.34 *Exposure to currency risk*

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

| | 2023 | | 2022 | |
|-----------------------|------------|------------|------------|------------|
| | EUR lei | USD lei | EUR lei | USD lei |
| Trade receivables | 11,428,198 | - | 1,450,140 | - |
| Guaranteed bank loans | - | - | - | - |
| Unsecured bank loans | - | - | - | - |
| Trade payables | 10,230,737 | - | 18,179,179 | - |

Also in 2023, amid the depreciation of the leu and the oscillating evolution of the leu/euro parity, the Company concluded new hedge transactions with derivatives to prevent exposure to currency risk.

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

| Currency | Average rate | | Spot rate at the reporting date | |
|----------|--------------|--------|---------------------------------|--------|
| | 2023 | 2022 | 2023 | 2022 |
| RON | | | | |
| EUR | 4,9465 | 4.9315 | 4,9746 | 4.9474 |
| USD | 4,5743 | 4.6885 | 4,4958 | 4.6346 |

a. Interest rate risk

Interest rate risk is the risk that the value of financial instruments will fluctuate due to changes in market interest rates. The Company's income and cash flow may be affected by fluctuations in the market interest rate, but since the Company does not have, and has not had in recent years, contracted short- and long-term loans (bearing interest rates that also have a variable component), this risk is very low for SNO.

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

32. Financial instruments (continued)

a. Capital management

The Company's objectives in capital management are to provide protection and ability to reward its shareholders, to maintain an optimal capital structure in order to reduce capital costs.

In order to maintain or modify its capital structure, the Company may alter the amount of dividends paid to shareholders, return on shareholder capital, issue new shares or sell assets to reduce liabilities.

The company monitors the volume of attracted capital based on indebtedness. This ratio is calculated as the ratio of net debt to total capital. Net liabilities are calculated as total net cash liabilities. Total capital is calculated as equity plus net liabilities.

| | <u>2023</u> | <u>2022</u> |
|-----------------------------------|--------------------------|---------------------------|
| | RON | RON |
| Total liabilities | 18,376,919 | 27,934,742 |
| Cash and cash equivalents | 11,943,703 | 8,852,408 |
| Total shareholders' equity | <u>99,806,115</u> | <u>105,918,714</u> |

33. Contingent assets and contingent liabilities

a. Litigation and disputes

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

b. Taxation

The taxation system in Romania is in a phase of consolidation and harmonization with European legislation. However, there are still different interpretations of tax legislation. In certain situations, tax authorities may treat certain matters differently by calculating additional taxes and duties and related late payment penalties (0.1% per day until 30 June 2010). With effect from 1 July 2010, the interest charged for each day of delay has changed to 0.04% and the applicable penalty rates have been set at 5% for a number of days of delay between 30 and 60 and at 15% for delays of more than 60 days.

As of 1 July 2013, the interest charged for each day of delay has been set at 0.04% and the penalty rates applicable for each day of delay have changed to 0.02%. For the period after 1 January 2016, the interest charged for each day of delay was set at 0.02% and the penalty rates applicable for each day of delay were changed at 0.01%. In Romania, the fiscal year remains open for fiscal verification for 5 years. The Company's management considers that the tax obligations included in these financial statements are adequate.

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

33. Contingent assets and contingent liabilities (continued)

c. Restructuring

In 2023, the company did not make any layoffs. However, there is a decrease in the average number of employees by 1.46%, compared to the previous year (2023: 337 employees, 2022: 342 employees). At the date of preparation of the financial statements, the company does not have a personnel restructuring plan.

d. Administrators remuneration

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

The variable remuneration due to directors is approved by the Ordinary General Meeting of Shareholders which approves the annual financial statements and will be based on the profit achieved before tax.

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e. Onerous contracts

An onerous contract is a contract where the mandatory costs of fulfilling the contractual obligations outweigh the economic benefits to be obtained as a result. These mandatory costs shall reflect at least the net cost of exiting the contract, which is the minimum of the cost of performing the contract and any compensation or penalties resulting from non-performance. The company had no onerous contracts in place as of December 31, 2023.

f. The contingent liabilities related to the environment

Environmental regulations are under development in Romania and the Company did not register any obligations as of December 31, 2023 for any anticipated costs, including legal and consultancy fees, site studies, design and implementation of remediation plans, regarding environmental elements.

The Company's management does not consider the expenses associated with possible environmental problems to be significant.

g. Insurances

At the end of 2023, the Company has concluded insurance policies for owned cars and mortgaged tangible assets. For 2023, the company has concluded group insurance for employees, partly for directors, and for the general manager.

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

33. Contingent assets and contingent liabilities (continued)

h. Transfer price

Romanian tax legislation contains transfer pricing rules between affiliated persons since 2001. The current legislative framework defines the principle of "market value" for transactions between affiliated persons, as well as transfer pricing methods. As a result, it is expected that tax authorities will initiate thorough transfer pricing checks to ensure that the tax result and/or customs value of imported goods are not distorted by the effect of prices charged in relations with related parties.

i. Warranty letters

On 31.12.2023, one of the banks through which commercial operations are carried out, BRD, had issued for our company two letters of guarantee, respectively:

- 177,181 lei in favor of the National Company Constanta Maritime Ports Administration
- EUR 155,000 in favor of Black See.

Reference **NOTES TO SEPARATE FINANCIAL STATEMENTS IN ACCORDANCE WITH IFRS****34. Related parties**

Between January and November 2023, Transilvania Investments Alliance S.A. Brasov was affiliated to Shipyard Orşova S.A. It held 49.9998% of the share capital of Shipyard Orşova S.A. being a closed-end financial investment company, self-managed in a two-tier system by a directorate, under the control of a Supervisory Board, classified in the category "Other collective investment undertakings (A.O.P.C), with a diversified investment policy" and authorized as Alternative Investment Fund Manager (A.F.I.A.).

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

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

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

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

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

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

During the financial year ended December 31, 2023, the Company performed transactions with affiliated entities (entities controlled by Transilvania Investments Alliance S.A), as follows:

| | <u>2023</u> | <u>2022</u> |
|----------------------|-------------|-------------|
| | RON | RON |
| THR Marea Neagră | 18,840 | 1,523 |
| Romradiatoare Brasov | - | 3,436 |
| Aro Palace Brasov | 1,227 | 267 |

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

34. Related parties (continued)

As of November 14, 2023, following the sale by Transilvania Investments Alliance S.A. of its holdings of 49.9998% of the share capital of Shipyard Orşova S.A., to See Container Services S.R.L., the latter becomes an affiliated party of our company.

SEA CONTAINER SERVICES S.R.L. has its registered office in Constanta, Port Precinct, Lot B1, Production Hall – C1, Administrative Building – C2 and concrete platform – C3, jud. Constanta, is registered at ORC Constanta under no. J13/1384/2000 and is identified by the unique registration code (CUI) 13233113, unique identifier at European level (EUID) ROONRC. J13/1384/2000.

The share capital of SEA CONTAINER SERVICES S.R.L. worth 1120 LEI, is divided into 112 shares of 10 LEI / share each.

The investment portfolio of SEA CONTAINER SERVICES S.R.L. consists of the shares held at Shipyard Orşova S.A. Also, SEA CONTAINER SERVICES S.R.L. holds a 50% participation in the profit and loss, as well as in the share capital of FERRY LOGISTIC SRL (CUI: 47933758), a company that together with its Georgian partner, E60 Shipping Line LLC operates the sea line RO-RO Constanta (Romania)- Poti (Georgia).

Sea Container Services S.R.L., is a private capital company founded in Constanta in 2000 based on the experience of its associates in the field of activities related to water transport, as well as port specific activities. Sea Container Services S.R.L. carries out activities of loading / unloading ships (NACE CODE 5224), cargo storage (NACE CODE 5210), freight forwarding (NACE CODE 5229) and weighing (NACE CODE 5229), and renting and subletting of own or leased real estate (NACE code 6820).

The depository services of the financial instruments held in the portfolio are provided by DEPOZITARUL CENTRAL S.A., and the annual financial statements of the company are audited by EGIDALCO S.R.L., based in Constanta, str. Stefan Octavian Iosif nr. 8, Room nr. 2, jud. Constanta, registered with the Trade Registry under no. J13/2872/1995, CUI: 7891351, member of the Chamber of Financial Auditors of Romania (CAFR) with authorization number 1276/2015. Trading in financial instruments is carried out through the company

BT CAPITAL PARTNERS S.A.

Sea Container Services S.R.L. is a member of the Union of Romanian Forwarding Companies (U.S.E.R.), member of FIATA (International Federation of Freight Forwarders Associations), member of the Employers' Organization CONSTANȚA PORT BUSINESS ASSOCIATION and member of the Constanta Chamber of Commerce and Industry.

In 2023, the volume of transactions with See Container Services S.R.L. was 522,049 lei, including VAT, of which between November and December 2023 it was 26,050 lei, including VAT.

In accordance with IAS 24 "Disclosure of Related Parties", paragraphs 17–18, we specify that:

- outstanding balances of receivables and payables between related parties are related to commercial transactions that are carried out under terms and conditions similar to terms and conditions that would have been accepted by third parties and are not guaranteed;
- we cannot provide additional information on the guarantees given or received because it was not the case to set up;
- we did not make impairment adjustments for doubtful receivables related to outstanding balances and we did not incur expenses on bad or doubtful receivables owed by related parties because this was not the case.

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

35. Events after the balance sheet date

The energy crisis and the armed conflict taking place on the territory of Ukraine, the restrictions imposed internationally on the Russian Federation and Belarus, bring uncertainties in the economic and financial plan and implicitly determine the existence of a risk regarding the possibility of unpredictable developments regarding the level of economic and financial indicators budgeted by the Company, respectively the reconsideration of the aspects underlying the estimation of inventory values for the Company's assets.

The separate financial statements were approved by the Board of Directors on March 12, 2024 and signed by:

Administrator,
Ec. Radu Claudiu Rosca

Prepared by,
Ec. Marilena Vişescu

STATEMENT



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



STATEMENT

The undersigned Eng. Mircea Sperdea – general manager and Ec. Marilena Visescu – economic manager of Şantierul Naval Orşova SA company with head-office in the town of Orşova, no. 4 Tufări Street, Mehedinţi County, we state that according to our knowledge, the annual financial-accounting situation, corresponding to the year 2023 which was drawn up in compliance with the accounting standards applicable, offer an accurate and corresponding image of the real status of the assets, obligations, financial position, profit and loss management of the above mentioned company.

We stipulate that the company has no branch offices.

We set forth, as well, that the Annual Report of the Management Board of Şantierul Naval Orşova S.A. company drawn up for the year 2023, comprises an accurate analysis of the progress and performances of the company together with the main risks and uncertainties specific to the activity carried out.

General Manager,
Eng. Mircea Sperdea

Economic Manager,
Ec. Marilena Visescu

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

Adress: Timisoara, str. Moise Nicoară , Nr. 11B

CUI: RO 14907434 • Nr. reg. ORC: J35/1537/2002

IBAN: RO43PIRB3701720663001000 • Bank: First Bank

Tel: 0256.216.100;• FAX: 0256.205.039

E-mail: office.audit@abaconsulting.ro • WEB: www.abaconsulting.ro

INDEPENDENT AUDITORS' REPORT

(Free translation)*

To the Shareholders of
ŞANTIERUL NAVAL ORŞOVA S.A

Report on the Audit of the Financial Statements

Unmodified auditor's opinion

1. We have audited the accompanying separate financial statements of Şantierul Naval Orşova SA („the Company”), with headquarters in Orsova, Tufari Street, No. 4, identified by unique tax registration number RO1614734, which comprise the statement of financial position as at December 31, 2023, and the statement of profit or loss and other comprehensive income, statement of changes in equity, statement of cash flows and notes to separate financial statements for the year ended.

2. Separate financial statements at December 31, 2023, are identified as follows:

| | |
|-----------------|-----------------|
| - Revenues: | 100,636,685 RON |
| - Net profit: | 3,453,687 RON |
| - Total assets: | 99,806,115 RON |

3. In our opinion, the separate financial statements present fairly, in all material respects the financial position of the Company as at December 31, 2023, and its financial performance and its cash flows for the year then ended in accordance with Accounting Law no. 82/1991, republished, including subsequent amendments and additions, Order of the Minister of Public Finance of Romania no. 881/2012 on application by companies whose securities are admitted to trading on a regulated market of International Financial Reporting Standards and the Order of the Minister of Public Finance no. 2844/2016 for approval of the Accounting Regulations in accordance with International Financial Reporting Standards, including subsequent amendments and additions.

INDEPENDENT AUDITORS REPORT

Basis for unmodified auditor's opinion

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

Emphasis of matters

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

- 5.1. As it is presented at Note 32 *Financial Instruments* which present that 78% from Company turnover registered in financial exercise ended at December, 31 2023 is realised by two commercial partners (at December 31, 2022, 77% was related only by commercial partner Rensen Driessen Shipbuilding B.V. Nederland). This fact involves a commercial risk due to the significant dependence by a reduced number of clients.
- 5.2. Uncertainties caused by the war taking place on the territory of Ukraine and the restrictions imposed at international level on the Russian Federation and Belarus, and the energy crisis implicitly determine the existence of a risk regarding the possibility of unpredictable developments regarding the level of economic and financial indicators budgeted by the Society, respectively the reconsideration of the aspects that were the basis for the estimation of the inventory values for the assets of the Company. The management of the financial situation of the Company depends on the way in which the management approaches the future socio-economic events and conditions present in the difficult environment in which it operates.

Key audit matters

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

INDEPENDENT AUDITORS REPORT

i) Revenue recognition

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

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

ii) Inventories evaluation

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

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

Other Information – Management Report and the Remuneration Report

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

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

In relation to the audit of the individual financial statements for the year ended at December, 31st 2023, it is our responsibility to read that other information and, in doing so, to assess whether that other information is materially inconsistent with the financial statements or with this knowledge that we obtained during the audit whether they appear to be significantly denatured.

INDEPENDENT AUDITORS REPORT

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

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

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

In addition, based on our knowledge and understanding of the Company and its environment, acquired during the audit of the separate financial statements for the year ended December, 31st 2023, we are required to report whether we have identified significant misstatements in the Directors' Report. We have nothing to report on this issue.

8. Regarding the Remuneration Report for the financial year ended at December 31, 2023, we verified whether the information provided by the Company's management is in accordance with art. 107 of Law no. 24/2017 on issuers of financial instruments and market operations as amended and supplemented ("Law No. 24/2017") applicable to entities whose shares are listed on a regulated market and we report that it provides, in all material aspects, the information demands by Law no. 24/2017, art. 107.

Other matters

9. We mention that our duty was limited strictly to the realization of the statutory audit regarding the separate financial statements of the Company at December 31st, 2023, not being assigned to perform the audit of the consolidated financial situations if it was the case.

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

INDEPENDENT AUDITORS REPORT

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

Responsibility of management and those responsible for governance for financial statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

INDEPENDENT AUDITORS REPORT

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

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

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

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

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

Report on Other Legal and Regulatory Requirements

Requirements for audits of public interest entities

20. We were appointed by the General Meeting of Shareholders at the date of 15 April 2022, as a result of a public selection of tenders in the statutory audit, for the audit of the financial statements of the Company for the financial year ended on 31 December 2023. The total uninterrupted period of our commitment is 19 years, covering the financial years from 31 December 2005 to 31 December 2023.

We confirm that:

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

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

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

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

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

This responsibility includes:

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

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

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

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

INDEPENDENT AUDITORS REPORT

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

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

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion. In our opinion, the financial statements for the year ended 31 December 2023 included in the annual financial report presented in the Digital Files comply, in all materials respects, with the requirements of ESEF.

In this section, we do not express an audit opinion, review conclusion or any other assurance conclusion on the financial statements. Our audit opinion relating to the financial statements of the Company for the year ended 31 December 2023 is set out in the "Report on the audit of the financial statements" section above.

Timișoara, March 14, 2024

On behalf of

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

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

Dr. Bunget Ovidiu Constantin

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