

QUARTERLY REPORT **31 MARCH 2022**

CONTENTS	PAGE
Financial end Economical indicators	2 – 4
Statement of Financial Position	5 - 6
Statement of Profit or Loss and Other Comprehensive Income	7 - 8
Statement of Changes in Equity	9
Statement of Cash Flows	10
Notes to Separate Financial Statements	11 – 53



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



QUARTERLY REPORT CORRESPONDING TO THE 1st TRIMESTER OF 2021, IN COMPLIANCE WITH THE LAW NO. 24/2017 AND TO THE ASF REGULATION NO. 5/2018
concerning the issuers of financial instruments and market operations

DATE OF THE REPORT: 11.05.2022

Name of the trading company: ŞANTIERUL NAVAL ORŞOVA S.A.;
Registered office: 4, TUFĂRI Street, ORŞOVA, MEHEDINŢI County;
Telephone/fax: 0252/362399 0252/360648;
Single registration code issued by the Trade Register: RO 1614734;
Registered number with the Trade Register's Office: J25/150/03.04.1991;
Code Lei: 254900UXAJ8TPIKLXG79
Subscribed and paid in share capital: 28,557,297.5 Lei
Number of shares: 11.422.919 common shares, of 2,5 lei each;
Regulated market where the issued securities are traded: Bucharest Stock Exchange-category Standard (symbol: SNO)

A. FINANCIAL AND ECONOMICAL INDICATORS ON THE DATE OF 31st of March 2022 (APPENDIX NO. 13 TO THE ASF REGULATION no. 5/2018)

DESCRIPTION OF THE INDICATOR	CALCULATION MANNER	RESULT
1. Indicator of current cash-deposit ¹⁾	$\frac{\text{Current assets}}{\text{Current debts}}$	2,7
2. Indicator of the degree of indebtedness ²⁾	$\frac{\text{Borrowed capital} * 100}{\text{Own capital}}$	0 (zero)
3. Rotation speed of the debts - clients ³⁾	$\frac{\text{Average balance clients} * 90}{\text{Turnover}}$	547 DAYS
4. Rotation speed of the fixed assets ⁴⁾	$\frac{\text{Turnover}}{\text{Fixed assets}}$	0,05

NOTE:

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

B. OTHER INFORMATION

In the 1st quarter of 2022, in comparison with those stipulated in BIE, the operational incomes were realized in a 151.09 %. Same time these registered an decrease 91.96 % against corresponding period of the last year:

- Stipulated in the BIE 1 st trimester 2022	1.630.760 lei
- Realized in the 1 st trimester of 2022	2.463.900 lei
- Realized on the 1 st trimester of 2021	30.658.224 lei

During this period, at the main headquarters of the company, in accordance with the production schedule for 2022, no new construction of the river vessel was completed, unlike the corresponding period of the previous year when 2 110 m Money Maker ships and the second coastal type vessel were completed and delivered, which was the subject of dispute with VEKA Shipbuilding B.V.. The revenues from other activities by the headquarters were insufficient to cover the administration costs of the first quarter of 2022, which determined that on 31.03.2022, to register a loss of the operational activity. The 5 existing barges at the Agigea branch were not rented during this period, the COVID-19 pandemic negatively influencing the economic activity on this market segment, and the revenues from the ship repair activity did not fully cover the operating costs of the branch. The individual financial statements as at 31.03.2022, respectively: Statement of financial position, Statement of profit or loss and other comprehensive income, Statement of changes in equity, Statement of cash flows and Notes to the financial statements are attached to this report, with the following clarifications:

- The numbers from the reporting forms are expressed in lei;
- The reporting data at 31.03.2022 **have not been audited** by an external independent financial auditor.
- In comparison to the provisions under BIE on the 1st trimester of 2022, the situation of the result is the following:
 - ❖ Result from operation:
 - Stipulated in the BIE -2.154.250 lei
 - Realized -1.652.065 lei

Şantierul Naval Orşova S.A.
Quarterly report for the period ended at 31.03.2022

❖	Financial result:	
	▪..... Stipulated in the BIE	54.250 lei
	▪..... Realized	1.171 lei
❖	Gross result:	
	▪..... Stipulated in the BIE	-2.150.000 lei
	▪..... Realized	-1.650.894 lei

During the similar period from the year 2021, the company realized a gross profit of 1.556.885 lei.

As of 31.03.2022, the company had no bank loans contracted, and the cash and cash equivalents amounted to 31.287.304 lei.

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

Company has done in the 1st quarter of 2022 investments expenses in amount of 471.264 lei, against 250.000 lei, as they were prevailed in BIE, in the period corresponding of the past year were registered such nature expenses in amount of 876.598 lei.

Şantierul Naval Orşova S.A.
Quarterly report for the period ended at 31.03.2022

<i>Reference</i>	STATEMENT OF FINANCIAL POSITION AT 31 MARCH 2022		
	Note	31.03.2022	31.12.2021
		RON	RON
Assets			
Fixed assets			
<i>IAS 1.54(a)</i>	Tangible assets	40.198.852	40.533.245
	Freehold land and land improvements	1.201.941	1.201.941
	Buildings	19.545.842	20.060.165
	Plant and machinery, motor vehicles	15.803.346	15.641.959
	Fixtures and fittings [...]	60.777	64.602
	Tangible assets in progress	3.586.946	3.564.578
<i>IAS 1.54(c)</i>	Intangible assets	45.987	20.138
	Other intangible assets	45.987	20.138
<i>IFRS 16, IAS 8</i>	Rights to use the leased assets	1.418.148	1.559.962
<i>IAS 1.54(h)</i>	Trade receivables and other receivables	541.400	541.401
<i>IAS 1.54(b)</i>	Investment property	593.773	522.236
<i>IAS 1.54(o), 56</i>	Deferred tax assets	38.674	80.129
<i>IAS 1.60</i>	Total fixed assets	42.836.834	43.257.111
<i>IAS 1.54 (g)</i>	Inventories	35.754.671	22.400.725
<i>IAS 1.54(h)</i>	Trade receivables and other receivables	8.361.831	20.330.881
<i>IAS 1.55</i>	Accrued expenses	510.085	165.412
<i>IAS 1.54(d)</i>	Short term investments	2.682.445	3.087.107
<i>IAS 1.54(i)</i>	Cash and cash equivalents	31.287.304	14.365.368
<i>IAS 1.60</i>	Total Current Assets	78.596.336	60.349.493
	Total Assets	121.433.170	103.606.604
Equity			
<i>IAS 1.54(r), 78(e)</i>	Share capital	28.557.298	28.557.298
<i>IAS 1.55, 78(e)</i>	Share premium	8.862.843	8.862.843
<i>IAS 1.54(r), 78(e)</i>	Reserves	54.896.946	54.896.946
	Result for the period	(1.692.349)	(153.870)
<i>IAS 1.55, 78(e)</i>	Retained earnings	787.584	941.454

Şantierul Naval Orşova S.A.
Quarterly report for the period ended at 31.03.2022

<i>Reference</i>	STATEMENT OF FINANCIAL POSITION AT 31 MARCH 2022 (continued)			
	Note	31.03.2022	31.12.2021	
		LEI	LEI	
Other elements of equity		(4.284.702)	(4.338.244)	
Total equity		87.127.620	88.766.427	
Liabilities				
Long-term liabilities				
<i>IAS 1.54(o), 56</i> Deferred tax liabilities		4.298.791	4.352.333	
<i>IFRS 16, IAS 8</i> Other debts	22,23	905.912	1.047.860	
<i>IAS 1.60</i> Total long-term liabilities		5.204.703	5.400.193	
Current liabilities				
<i>IAS 1.54(k)</i> Trade payables and other debts, including derivatives	22	28.324.478	8.404.168	
<i>IAS</i>				
<i>1.55, 11.42(b)</i> Advance registered incomes		3.444	3.801	
<i>IAS 1.54(l)</i> Provisions		772.925	1.032.015	
<i>IAS 1.60</i> Total current liabilities		29.100.847	9.439.984	
Total Liabilities		34.305.550	14.840.177	
Total Equity and Liabilities		121.433.170	103.606.604	

Şantierul Naval Orşova S.A.
Quarterly report for the period ended at 31.03.2022

Reference

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
AT 31 MARCH 2021

	Note	31.03.2022	31.03.2021	Adjustment
		LEI	LEI	03.2021+(-)
Continuing operations				
<i>IAS 1. 82(a)</i> Income	5	2.135.501	30.588.442	
<i>IAS 1.99,103</i> Other income	6	328.399	69.782	
Total Operational Income		2.463.900	30.658.224	
Expenses related to inventories	7	(276.004)	(11.539.291)	
Utility expenses	8	(387.001)	(698.302)	
Employee benefits expenses	9	(1.945.535)	(9.652.100)	
Depreciation and amortization expenses	14,15	(413.267)	(1.304.193)	
Depreciation expenses related to rights-of-use for leased assets	17	(141.815)	0	(133.399)
Gains/losses on disposal of property		(5.011)	0	
Increase/(Decrease) of receivables allowances and inventory write-down	10	9.240	2.330.959	
Increase/(Decrease) of provision expenses		259.090	280.418	
<i>IAS 1.99, 103</i> Other expenses	11	(1.215.662)	(9.036.099)	140.235
Total Operational expenses		(4.115.965)	(29.618.608)	6.836
The result of operational activities		(1.652.065)	1.039.616	6.836
Financial income	12	36.960	546.435	
<i>IAS 1.82(b)</i> Financial expenses	12	(35.789)	(29.166)	(9.908)
Net financial result	12	1.171	517.269	(9.908)
<i>IAS 1.85</i> Result before taxation		(1.650.894)	1.556.885	(3.072)
Current income tax expenses	13.a	(41.455)	(303.118)	
Deferred income tax income		0	258.251	
<i>IAS 1.85</i> Result for continuing operations		(1.692.349)	1.512.018	(3.072)
<i>IAS 1.82(f)</i> Result for the period		(1.692.349)	1.512.018	(3.072)

Şantierul Naval Orşova S.A.
Quarterly report for the period ended at 31.03.2022

<i>Reference</i>	STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME AT 31 MARCH 2022 (continued)	Note	31.03.2022	31.03.2021	Adjustment
			LEI	LEI	03.2021+(-) LEI
<i>IAS 1.82 (i)</i>	Total comprehensive income for the period		(1.692.349)	1.512.018	(3.072)
	Attributable profit				
<i>IAS 1.83(b)(ii)</i>	Shareholders		(1.692.349)	1.512.018	(3.072)
	Profit for the period		(1.692.349)	1.512.018	(3.072)
	Total attributable comprehensive income				
<i>IAS 1.83(b)(ii)</i>	Shareholders		(1.692.349)	1.512.018	(3.072)
	Earnings per share				
<i>IAS 33.66</i>	Basic earnings per share		(0,15)	0,13	(0.0002)
<i>IAS 33.66</i>	Diluted earnings per share		(0,15)	0,13	(0.0002)
	Continuing operations				
<i>IAS 33.66</i>	Basic earnings per share		(0,15)	0,13	(0.0002)
<i>IAS 33.66</i>	Diluted earnings per share		(0,15)	0,13	(0.0002)

Şantierul Naval Orşova S.A.
Quarterly report for the period ended at 31.03.2022

Reference

STATEMENT OF CHANGES IN EQUITY

	Attributable to equity holders								Total equity
	Share capital	Share premium account	Revaluation reserve	Other reserves	Retained earnings	Result for the period	Other elements of equity	Profit appropriation	
<i>IAS</i> <i>1.108,109</i>									
Balance at December 31,2020	<u>28.557.298</u>	<u>8.862.843</u>	<u>27.212.735</u>	<u>24.565.083</u>	<u>7.743.844</u>	<u>4.653.501</u>	<u>(4.028.932)</u>	<u>(191.823)</u>	<u>97.374.549</u>
Profit/Loss adjustment for 2019					<u>(5.849)</u>				<u>(5.849)</u>
Profit/Loss adjustment for 2020						<u>(18.127)</u>			<u>(18.127)</u>
Balance at December 31, 2020	<u>28.557.298</u>	<u>8.862.843</u>	<u>27.212.735</u>	<u>24.565.083</u>	<u>7.737.995</u>	<u>4.635.374</u>	<u>(4.028.932)</u>	<u>(191.823)</u>	<u>97.350.573</u>
<i>IAS</i> <i>1.106(d)(i)</i>									
Loss/ Net profit for the year	-	-	-	-	4.635.374	(4.789.244)	-	-	(153.870)
Profit appropriation	-	-	-	-	-	-	-	-	-
Transfer in reserve	-	-	(268.389)	85.563	(8.996)	-	(309.312)	191.823	(309.311)
Revaluation reserve	-	-	3.301.954	-	-	-	-	-	3.301.954
Dividends	-	-	-	-	(11.422.919)	-	-	-	(11.422.919)
Balance at December 31, 2021	<u>28.557.298</u>	<u>8.862.843</u>	<u>30.246.300</u>	<u>24.650.646</u>	<u>941.454</u>	<u>(153.870)</u>	<u>(4.338.244)</u>	<u>≡</u>	<u>88.766.427</u>
<i>IAS</i> <i>1.106(d)(i)</i>									
Loss/ Net profit for the year	-	-	-	-	(153.870)	(1.537.479)	-	-	(1.692.349)
Transfer in reserve	-	-	-	-	-	-	53.542	-	53.542
Balance at March 31, 2022	<u>28.557.298</u>	<u>8.862.843</u>	<u>30.246.300</u>	<u>24.650.646</u>	<u>787.584</u>	<u>(1.692.349)</u>	<u>(4.284.702)</u>	<u>≡</u>	<u>87.127.620</u>

Şantierul Naval Orşova S.A.
Quarterly report for the period ended at 31.03.2022

Reference **STATUS OF THE TREASURY CASH FLOW**

<i>IAS 113</i>	<i>1.10(d),</i>	For the fiscal year completed	Note	2022	2021	Adjustment 2021
		Treasury Cash Flow for operating activities				
		Profit of the period		(1.692.349)	1.512.018	(3.072)
		Adjustment for:				
		Depreciation of intangible and tangible assets	<i>14,15,17</i>	1.083.216	850.130	133.399
		Net expenses / (net income) with provisions		(259.090)	(280.418)	
		Depreciation of current assets	<i>10</i>	(9.240)	(2.330.959)	
		Losses on the disposal of fixed assets		5.011	0	
		Expenses on the delayed income tax	<i>13a</i>	41.455	303.118	
		Income from the delayed income tax		0	(258.251)	
		Cash Flow from operating activities before the working capital		(830.997)	(204.362)	130.327
		Amendment of the working capital:				
		Stocks modification		(13.353.946)	20.425.168	
		Modification of the commercial account receivables and of		12.008.096	(13.397.233)	
		Modification of the advanced expenses		(344.673)	(192.560)	
		Modification of the commercial debts and of other debts		19.667.070	912.933	9.908
		Cash flow generated from operating activities		17.145.550	7.543.946	140.235
		Interest paid (leasing)		(7.726)	0	(9.908)
<i>IAS 7.35</i>		Paid interests		0	(6.835)	
<i>IAS 7.10</i>		Net cash flow from operating activities		17.137.824	7.537.111	130.327
		Treasury Cash Flow from investment activities				
<i>IAS 7.31</i>		Cashed interests		3.781	7.752	
<i>IAS 7.16(a)</i>		Tangible and intangible assets acquisition	<i>14, 15</i>	(475.264)	(876.598)	
		Short term investments		404.662	(22.346)	
<i>IAS 7.10</i>		Net cash used in investment activities		(66.821)	(891.192)	
		Treasury cash flow from financing activities				
<i>IAS 7.31</i>		Paid dividends		(7.902)	(1.041)	
		Increase (repayment) of loans (leasing)		(141.165)	0	(130.327)
<i>IAS 7.10</i>		Net cash from (used in) financing activities		(149.067)	(1.041)	(130.327)
		Net increase/decreases of the cash flow and of the cash flow equivalents		16.921.936	6.644.878	0
		Cash Flow and equivalents from 1st of January		14.365.368	30.825.273	0
		Cash flow and cash flow equivalents at 31th of March		31.287.304	37.470.151	0

Şantierul Naval Orşova S.A.
Quarterly report for the period ended at 31.03.2022

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 March 2022. 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 Quarterly Individual Financial Statements for the financial year ended March 31, 2022 in accordance with International Financial Reporting Standards as adopted by European Union, applicable to companies whose securities are admitted to trading on a regulated market, according to the Order of the Minister of Finance no. 881/2012 regarding the application of International Financial Reporting Standards by companies whose securities are admitted to trading on a regulated market and the Order of the Minister of Finance no. 2844/2016 approving the Accounting Regulations in accordance with International Financial Reporting Standards applicable to companies whose securities are admitted to trading on a regulated market, including subsequent amendments and additions.

IAS.10.17 The financial statements have been authorized for issue by the Board of Directors on May 11th, 2022.

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

IAS 1.117(a) Investment properties

- Buildings
- Naval means of transport.

a. Functional currency and presentation currency

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

Şantierul Naval Orşova S.A.
Quarterly report for the period ended at 31.03.2022

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

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

b. Professional judgements and key assumptions

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

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

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

- Note 18 –Investment property ;
- Note 23 – Loans.

c. New International Financial Standards not applied by the Company

The entity does not apply some IFRS or new stipulations regarding IFRS issued, but not in effect at the date of the financial statements. The company cannot estimate the impact of applying these stipulations and intends to apply them when they come into force. Among the issued, but not adopted standards, the company will not face the situation to prospectively apply neither of them. These are:

- IFRS 17 "Insurance Contracts", issued on 18 May 2017, with effect from 1 January 2023.
- Amendments to IAS 1 "Presentation of financial statements" Classification of Liabilities as Current or Non-current and Classification of Liabilities as Current or Non-current with effect from 1 January 2023.
- Amendments to IAS 1 "Presentation of financial statements" with effect from 1 January 2023
- Amendments to IAS 8 "Accounting policies, changes in accounting estimates and correction of errors" with effect from 1 January 2023.
- Amendments to IAS 12 "Income tax" with effect from 1 January 2023
- Amendments to IFRS 17 "Insurance contracts" with effect from 1 January 2023

Şantierul Naval Orşova S.A.
Quarterly report for the period ended at 31.03.2022

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

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

d. Presentation of financial statements

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

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

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

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

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

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

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

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

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

Şantierul Naval Orşova S.A.
Quarterly report for the period ended at 31.03.2022

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

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

e. Standards and interpretations available in the current period

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

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

Şantierul Naval Orşova S.A.
Quarterly report for the period ended at 31.03.2022

<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.
Quarterly report for the period ended at 31.03.2022

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.
Quarterly report for the period ended at 31.03.2022

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.
Quarterly report for the period ended at 31.03.2022

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

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

IFRS 10	Consolidated Financial Statements	Establishing principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities.
IFRS 11	Joint Arrangements	Establishing principles for financial reporting for entities that hold interests in jointly controlled commitments..
IFRS 12	Disclosure of Interests in Other Entities	Requires an entity to disclose information that will enable users of its financial statements to evaluate: the nature and risks associated with interests held in other entities; and the effects of those interests on the financial position, financial performance and its cash flows.
IFRS 13	Fair value measurement	The definition of fair value, establishing, in a single IFRS, a framework for measuring fair value, requiring the presentation of information on fair value.
IFRS 15	Revenue from Contracts with Customers	IFRS 15 specifies how and when an IFRS reporter will recognise revenue as well as requiring such entities to provide users of financial statements with more informative, relevant disclosures. The standard provides a single, principles based five-step model to be applied to all contracts with customers. IFRS 15 was issued in May 2014 and applies to an annual reporting period beginning on or after 1 January 2018. On 12 April 2016, clarifying amendments were issued that have the same effective date as the standard itself.
IFRS 16	Leasing contract	Its objective is to standardize the way in which financial and operational leasing contracts are recognized in order to have a better comparability in the financial statements between the entities that use different types of contracts

Şantierul Naval Orşova S.A.
Quarterly report for the period ended at 31.03.2022

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.
Quarterly report for the period ended at 31.03.2022

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.
Quarterly report for the period ended at 31.03.2022

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

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

117(a)

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

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

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

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

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

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

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

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

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

Şantierul Naval Orşova S.A.
Quarterly report for the period ended at 31.03.2022

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.
Quarterly report for the period ended at 31.03.2022

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.
Quarterly report for the period ended at 31.03.2022

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

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

117(a)

(ii) Other intangible assets

All other intangible assets are recognized at cost.

Intangible assets are not revalued.

(2) Amortization

(i) Software

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

(ii) Other intangible assets

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

e. Rights-of-use for leases assets

The company as a lessees

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

Leasing liability

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

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

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

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

117(a)

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

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

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

Rights-of-use assets

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

f. Investment property

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

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

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

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

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

g. Inventories

Inventories are assets:

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

Şantierul Naval Orşova S.A.
Quarterly report for the period ended at 31.03.2022

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.
Quarterly report for the period ended at 31.03.2022

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.
Quarterly report for the period ended at 31.03.2022

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.
Quarterly report for the period ended at 31.03.2022

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.
Quarterly report for the period ended at 31.03.2022

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

5. Incomes

		<u>31.03.2022</u>	<u>31.03.2021</u>
<i>IAS 18.35(b) (i)</i>	<i>Sales of goods</i>	0	29.527.361
<i>IAS 18.35(b) (ii)</i>	<i>Rendering of services</i>	2.135.501	1.061.081
	Total	<u>2.135.501</u>	<u>30.588.442</u>

Revenues for the first 3 months of 2022 are lower by 93.02% compared to the corresponding period of last year. During this period, in accordance with the production schedule, no river vessel was completed (in trim. I of last year were delivered 3 ships, including the second coastal vessel that was the subject of dispute with VEKA company). The provision of services, mainly ship repairs, registered an increase of 101.26%, the important increase of revenues from this activity being made by the Agigea branch.

6. Other incomes

		<u>31.03.2022</u>	<u>31.03.2021</u>
	Income from rents (other than rent real estate investments)	76.435	66.203
	Other operational incomes	251.964	3.579
	Total	<u>328.399</u>	<u>69.782</u>

In the period 01.01 - 31.03.2022 these incomes are at a higher level than the one achieved in the corresponding period of the previous year (increase by 370.61%). The amounts realized during this period and registered in the position of income from rents are mainly related to the lease agreements for spaces in the patrimony of the Agigea branch. As for the amount recorded under the other operating income position, this is mainly due to additional revenues from the relationship with Veka.

The 5 barges in the branch's records were not rented in the first 3 months of this year.

Şantierul Naval Orşova S.A.
Quarterly report for the period ended at 31.03.2022

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

7. Outgoings on stocks

	<u>31.03.2022</u>	<u>31.03.2021</u>
Expenses with raw materials	139.079	6.219.594
Expenses of consumable materials, from whom:	77.412	5.055.904
Expenses of <i>auxiliar materials</i>	70.073	4.316.527
Expenses of <i>fuel</i>	3.487	318.260
Expenses with <i>spare parts</i>	2.331	290.139
Expenses of <i>other consumable materials</i>	1.521	130.978
Expenses regarding materials of nature inventory items	39.752	180.484
Expenses of unstocked materials	16.889	77.105
Expenses regarding goods	2.943	6.259
Received discount	(71)	(55)
Total	<u>276.004</u>	<u>11.539.291</u>

In total, there is a significant decrease in the expenditures with stocks compared to the corresponding period of the previous year, this being due to the volume of production completed and delivered in the reference period. Expenditure on the consumption of inventories which, according to the provisions of IFRS, are included in the value of some assets shall be recognised during the period according to their nature. Accordingly, the amount of assets in progress of execution shall be recorded in the accounts on behalf of the related revenue accounts. Please note that the Company, in accordance with IAS 1, has chosen to present its analysis of expenses using a classification based on its nature, and therefore does not disclose either the amount of such expenses or the amount of the corresponding revenue.

8. Utilities outgoings

	<u>31.03.2022</u>	<u>31.03.2021</u>
Expenses with energy	381.464	681.113
Expenses with water	5.537	17.189
Total	<u>387.011</u>	<u>698.302</u>

I In trim. I 2022, utility expenses, in correlation with the production achieved, also experienced a decrease compared to the quarter. I 2021 (with 44.58%), but we mention that the supply tariffs have seen a significant increase.

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

Şantierul Naval Orşova S.A.
Quarterly report for the period ended at 31.03.2022

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

IAS 1.104 **9. Staff costs**

	<u>31.03.2022</u>	<u>31.03.2021</u>
Personnel expenses	1.836.361	8.944.013
Expenses with contributions to compulsory social insurance	109.174	708.087
Total	<u>1.945.535</u>	<u>9.652.100</u>

Between 01.01-31.03.2022, the personnel expenses experienced a decrease of 56.83% compared to the corresponding period of 2021. As in the case of the other categories of expenditure, and in the presentation of staff costs, a factor influencing this increase is the method of presenting expenditure using a classification based on its nature. Therefore, this decrease is mainly due to the volume of production made and sold this quarter compared to the corresponding period of last year.

In the same proportion as the decrease in expenditures with salaries, the expenses regarding the insurance contribution of labor insurance, insurance and social protection decreased.

10. Value adjustment of current asset

	<u>31.03.2022</u>	<u>31.03.2021</u>
Losses(Profit) on receivables and various debtors	0	(444)
Gains or (-) losses on financial assets and liabilities held for trading, net	(9.240)	(2.330.515)
Total	<u>(9.240)</u>	<u>(2.330.959)</u>

The amounts presented above refer to the adjustment of impairments related to other receivables made in quarter. I 2022.

Şantierul Naval Orşova S.A.
Quarterly report for the period ended at 31.03.2022

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

<i>IAS 1.97</i>	11. Other outgoings	<u>31.03.2022</u>	<u>31.03.2021</u>	<u>Adjustment</u> <u>2021+(-)</u>
	Expenses with maintenance and repairs	32.942	184.119	
	Expenses with royalties, managed locations and rents	17.438	859.255	(140.235)
	Expenses with premium insurance	26.650	43.029	
	Expenses with commissions and fees	5.223	4.485	
	Protocol, advertising and advertising expenses	5.342	6.678	
	Goods and personel transport expenses	26.597	3.404.938	
	Travel expenses, secondments and transfers	3.513	3.798	
	Postage and telecommunications expenses	13.082	13.656	
	Banking services expenses	27.992	12.182	
	Other expenses for services performed by third parties	757.964	4.154.499	
	Expenses with other taxes and fees	109.759	97.981	
	Expenses for environment protection	4.353	1.933	
	Expenses with fixed assets for selling	-	-	
	Other operational expenses	<u>184.807</u>	<u>249.546</u>	
	Total outgoings	1.215.662	9.036.099	(140.235)

In the period 01.01 - 31.03.2022 there is a decrease in the other expenses position, the main factors of influence in this decrease being the volume of production sold, during this period no vessel was delivered (3 ships delivered in quarter. I 2021), and the method of presenting expenses using a classification based on their nature. Regarding the rent expenses, we mention that, following the reanalysis at the end of 2021 of the lease contract for the land at the Agigea branch, owned by CNAPMC, and the reassessment of the IFRS 16 requirements, this expense has been adjusted accordingly for 2021.

The amount registered under the position Other operational expenses includes mostly the expenses occasioned by the dispute with VEKA regarding the collection of the outstanding amounts.

Şantierul Naval Orşova S.A.
Quarterly report for the period ended at 31.03.2022

<i>Reference</i>	<i>NOTES TO INDIVIDUAL FINANCIAL SITUATIONS IN ACCORDANCE WITH IFRS</i>	<u>31.03.2022</u>	<u>31.03.2021</u>	<u>Adjustment 2021+(-)</u>
<i>IAS 1.86</i>	12. Financial income and expenses			
	Recognized in the profit or loss account:			
		<u>31.03.2022</u>	<u>31.03.2021</u>	<u>Adjustment 2021+(-)</u>
<i>IFRS 7.20 (b)</i>	Interest income from bank deposits	1.372	7.755	
<i>IAS 21.52 (a)</i>	Incomes from exchange rates differences	35.588	538.680	
	Total financial incomes	36.960	546.435	
<i>IAS 7.20 (b)</i>	Interests expenses	7.726	-	9.908
<i>IAS 21.52 (a)</i>	Expenses from exchange differences rates	28.063	29.166	
	Total financial expenses	35.789	29.166	9.908
	Net financial result	<u>1.171</u>	<u>517.269</u>	<u>(9.908)</u>

In connection with the above amounts, the following details are given:

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

Şantierul Naval Orşova S.A.
Quarterly report for the period ended at 31.03.2022

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

13a. Expenditure on profit tax

	<u>31.03.2022</u>	<u>31.03.2021</u>
a) Expenditure on current profit tax		
IAS 12.80 (a) Current period	-	-
IAS 12.80 (b) Adjustments of previous periods		
b) Deferred income tax expense		
IAS 12.80 (c) Initial recognition and reversal of temporary differences	41.455	303.118
IAS 12.80 (g) Changes in previously unrecognized temporary differences		
IAS 12.80 (f) Recognition of previously unrecognized tax los		
Total profit tax expenses (a+b)	41.455	303.118
IAS 12.81 (c) Reconciliation of effective tax rate		
Profit of the period	-1.650.894	1.586.286
Non-deductible expenses	11.380	247.680
Non-taxable incomes	264.855	2.610.933
Elements similar to incomes (amortisation after reevaluation 2003)	334.637	207.502
Deduction of legal reserve	-	-
Taxable profit	-	-
Expense with the current profit tax	-	-
Sponsorship	-	-
Bonus	-	-
Profit after taxation	-1.650.894	1.586.286

13b. Specific tax expenses

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

For the year 2022, expenses with specific due tax for this activity is in amount of 13.672 lei.

Şantierul Naval Orşova S.A.
Quarterly report for the period ended at 31.03.2022

<i>Reference</i>	<i>NOTES TO INDIVIDUAL FINANCIAL SITUATIONS IN ACCORDANCE WITH IFRS</i>					
<i>IAS 16</i>	14. Tangible non-current asset					
		Land and buildings	Machines and equipments	Furniture and fixtures	Work in progress	Total
	Costs or assumed costs					
<i>IAS 16.73 (d)</i>	Balance at 1 January 2022	21.262.106	56.035.571	508.922	3.564.578	81.371.177
<i>IAS 16.73 (e)(i)</i>	Acquisitions	-	585.538	-	72.045	657.583
<i>IAS 16.73 (e)(ii)</i>	Outgoings of non current asset	-	21.790	-	49.677	71.467
<i>IAS 16.73 (d)</i>	Balance at March 31, 2022	21.262.106	56.599.319	508.922	3.586.946	81.957.293
	Depreciation and losses from depreciation					
<i>IAS 16.73 (d)</i>	Balance at 1 January 2022	0	40.393.612	444.320	-	40.837.932
<i>IAS 16.73 (d)(vii)</i>	Depreciation during the year	514.323	420.754	3.825	-	938.902
<i>IAS 16.73 (d)(ii)</i>	Outgoings of non current asset	-	18.393	-	-	18.393
<i>IAS 16.73 (d)</i>	Balance at March 31, 2022	514.323	40.795.973	448.145	-	41.758.441
<i>IAS 1.78 (a)</i>	Accounting values					
	Balance at 1 January 2022	<u>21.262.106</u>	<u>15.641.959</u>	<u>64.602</u>	<u>3.564.578</u>	<u>40.533.245</u>
	Balance at March 31, 2022	<u>20.747.783</u>	<u>15.803.346</u>	<u>60.777</u>	<u>3.586.946</u>	<u>40.198.852</u>

Şantierul Naval Orşova S.A.
Quarterly report for the period ended at 31.03.2022

Reference **NOTES TO INDIVIDUAL FINANCIAL SITUATIONS IN ACCORDANCE WITH IFRS**
IAS 16 **14. Tangible non-current asset (continued)**

On 31 March 2022, land has a book value of 1,201,941 RON and represents an area of 86,000 square meters, of which:

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

In the course of the year 2017 the company has put up for sale by tender two plots of land in the area Gratca, of 937 square meters and 3,988 square meters, in accordance with the management decision of 16 February 2017. Although these lands have not found yet their buyers, they have been classified in an appropriate manner as non-current assets held for sale (account 311).

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

Revaluation of tangible non-current assets

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

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

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

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

Şantierul Naval Orşova S.A.
Quarterly report for the period ended at 31.03.2022

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

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

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

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

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

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

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

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

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

Şantierul Naval Orşova S.A.
Quarterly report for the period ended at 31.03.2022

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

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

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

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

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

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

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

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

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

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

Şantierul Naval Orşova S.A.
Quarterly report for the period ended at 31.03.2022

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

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

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

At December 31, 2019, the Company proceeded to reevaluation the tangible assets of the nature of the means of ship transport, using the opinion of the same independent external evaluator and based on the same rules regarding the recording of the resulting differences.

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

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

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

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

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

According to IFRS 13, valuation at fair value of buildings and means of naval shipping supposed taking into consideration the characteristics of the assets, which users of financial statements would consider in determining the price of the asset at the balance sheet date. Fair value determination was carried out by an independent external evaluator and shall be treated as level 2 under IFRS 13 for the data taken into account in determining the fair values as at 31 December 2020, 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.

Şantierul Naval Orşova S.A.
Quarterly report for the period ended at 31.03.2022

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

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

Impairment losses and subsequent reversals

At the end of the year 2021 for fixed assets in conservation at Agigea Branch, was done also depreciation test, being recognized a total depreciation of 435.721,16 lei, depreciation maintained at March 31, 2022.

Pledged or mortgaged non-tangible asset

To guarantee the multi-option and multi-currency global limit, in value of 1,540,000 (as to same level like 2021), made available by BRD-GSG SA, the Company established the following::

- First rank mortgage on the following properties: Repair hall, New Hall, Thermal power station, Compressors Station and PSI Shed, Operating Group, Cafeteria, Merged building, all including land, toate împreună cu terenul aferent, properties assessed according to the Guarantee Monitoring Report at EUR 1,512,800 market value, registered in the Land Book Register under the numbers 1133, 1146, 1121, 1145, 1134, 1135 and 1132;
- Security interest with dispossession on a deposit in value of 401.201 EUR.
- Assignment of receivables as collateral on receipts in a total value of 17.383.360 EUR, resulting from the commercial contracts concluded by the Company with third parties, not cashed up at 31.03.2022.

Non-tangible asset under construction

On 31.03.2022 the company has unfinished investment objectives in the amount (mainly slipway modernization at Branch Agigea) of 3.586.946 lei (3.157.481 lei on 31.03.2021)

Şantierul Naval Orşova S.A.
Quarterly report for the period ended at 31.03.2022

<i>Reference</i>	<i>NOTES TO INDIVIDUAL FINANCIAL SITUATIONS IN ACCORDANCE WITH IFRS</i>		
<i>IAS 38</i>	15. Intangible assets		
<i>IFRS 3.61</i> <i>IAS 38.118 (c),</i> <i>(e)</i>		Other assets	Total
	Cost		
<i>IFRS 3.B67</i> <i>(d)(viii),IAS</i> <i>38.118</i>	Balance at 1 January 2022	1.094.898	1.094.898
<i>IAS 38.118(e)</i>	Acquisitions	29.961	29.961
	Outgoings of intangible assets	4.180	4.180
<i>IAS 38.118</i>	Balance at 31 of March 2022	1.120.679	1.120.679
	Depreciation and amortisation losses		
<i>IFRS 3.B67</i> <i>(d)(i),IAS</i> <i>38.118</i>	Balance at 1 January 2022	1.074.760	1.074.760
<i>IAS</i> <i>38.118(e)(vi)</i>	Amortisation during the year	2.499	2.499
	Outgoings of fixed assests	2.567	2.567
<i>IFRS 3.B67</i> <i>(d)(viii),IAS</i> <i>38.118</i>	Balance at 31 of March 2022	1.074.692	1.074.692
	Accounting values		
<i>IAS 38.118(c)</i>	Balance at 1 January 2022	<u>20.138</u>	<u>20.138</u>
<i>IAS 38.118(c)</i>	Balance at 31 of March 2022	<u>45.987</u>	<u>45.987</u>

Şantierul Naval Orşova S.A.
Quarterly report for the period ended at 31.03.2022

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

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

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

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

Other investments	31.03.2022			31.03.2021		
	Accounting value	Imparment adjustments	Net value	Accounting value	Imparment adjustments	Net value
Long term investments						
Shares detained at Kritom	684.495	684.495	0	684.495	684.495	0
Other titles detained on long term	0	0	0	0	0	0
Total investments on long term	684.495	684.495	<u>0</u>	684.495	684.495	<u>0</u>

Şantierul Naval Orşova S.A.

Quarterly report for the period ended at 31.03.2022

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

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

In 1993, S.C. Servicii Construcții 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 March 31, 2022, the Company had constituted adjustments for the total depreciation of these securities, i.e. at the level of 684,495 lei, so that the net value as at March 31, 2022 was 0 lei (as of March 31, 2021, the same situation was recorded).

The factors that contributed to the establishment of these depreciations are the distrust and lack of transparency proven 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.
Quarterly report for the period ended at 31.03.2022

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

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

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

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

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

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

	Total land-use rights	Total rights of use of assets
Cost		
As of 1 January 2019	0	0
Inputs	2.502.294	2.502.294
As of 31 December 2019	2.502.294	2.502.294
Inputs	94.066	94.066
As of 31 December 2020	2.596.360	2.596.360
Inputs	142.574	142.574
As of 31 December 2021	2.738.935	2.738.935
Inputs	0	0
As of 31 March 2022	2.738.935	2.738.935
Amortization		
As of 1 January 2019	0	0
Depreciation of the year	125.115	125.115
As of 31 December 2019	125.115	125.115
Depreciation of the year	520.262	520.262
As of 31 December 2020	645.377	645.377
Depreciation of the year	533.595	533.595
As of 31 December 2021	1.178.973	1.178.973
Depreciation of the period	141.814	141.815
As of 31 March 2022	1.320.787	1.320.787
Net book value		
As of 31 December 2019	2.377.179	2.377.179
As of 31 December 2020	1.950.983	<u>1.950.983</u>
As of 31 December 2021	1.559.962	<u>1.559.962</u>
As of 31 March 2022	1.559.962	<u>1.418.148</u>

Şantierul Naval Orşova S.A.
Quarterly report for the period ended at 31.03.2022

<i>Reference</i>	<i>NOTES TO INDIVIDUAL FINANCIAL SITUATIONS IN ACCORDANCE WITH IFRS</i>	<u>2022</u>	<u>2021</u>
<i>IAS 40</i>	18.Real estate investments		
<i>IAS 40.76(a)</i>	Balance on 1 January	522.236	508.019
<i>IAS 40.76(f)</i>	Acquisitions	71.537	0
<i>IAS 40.76(d)</i>	Transfer from property, plant and equipment	0	0
<i>IAS 40.76(d)</i>	Disposals/impairments, transfer to property, plant and equipment	0	14.217
	Balance at 31 December	<u>593.773</u>	<u>522.236</u>

Starting with September 2019, the Agigea branch proceeded to rent a building located in Constanta, called "Headquarters", to the companies City Protect and Protect Instal. The rental period, according to the contracts in force, ends on 31.12.2023. The company values investment property at fair value, with changes in fair value recognised in the statement of profit or loss and other comprehensive income.

On 31.12.2021 the real estate investment was revalued by an independent external appraiser. The valuation method used was the income approach.

19. Stock

	31.03.2022	31.03.2021	
<i>IAS 1.78 (c),2.36(b)</i>	Raw materials and materials	10.923.736	6.300.445
<i>IAS 1.78(c), 2.36(b)</i>	Production in progress	25.420.881	10.755.888
	Imparment adjustments	(589.946)	(783.275)
	Stocks at net value	<u>35.754.671</u>	<u>16.291.695</u>

IAS 1.104,
2.36(e)(f)

For the stocks older than 2 years (for the tin stocks older than 3 years), existing in the balance at the end of 2021 and which are maintained on 31.03.2022, the company proceeded to adjust the value accounting, constituting a total depreciation of 589,946 lei. Compared to the corresponding period of last year, there is an increase in stocks (by 119.46%), mainly on account of the production in progress. The stocks of raw materials and materials, in direct correlation with the contracted production, are also at a higher level than the one recorded in the corresponding period of the previous year.

Şantierul Naval Orşova S.A.
Quarterly report for the period ended at 31.03.2022

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

20. Fixed assets held for sale

	31.03.2022	31.03.2021
	lei	Lei
<i>IAS 1.104,2.36(e,g)</i> Balance at the beginning of the period	-	18.637
<i>IAS 1.104, 2.36(e,g)</i> Exits by sale	-	-
Balance at the end of the period	0	18.637

In 2017, the company, following the decision of the directors, reclassified a series of assets into fixed assets held for sale; they were measured at the reclassification date at the lower of the net carrying amount and fair value less costs generated by the sale. During 2021, the last assets reclassified in this category were sold, respectively the two plots of land owned by the company in the Gratca area, Orsova.

21. Trade and similar receivables, other receivables and advances

	31.03.2022	31.03.2021
<i>IAS 1.78 (b)</i> Trade receivables in relation to related parties	-	-
Loans to executives	-	-
<i>IAS 1.78 (b)</i> Trade receivables	7.255.529	13.442.261
Adjustments for the impairment of trade receivables	(166.620)	(166.620)
<i>IFRS 7.8(c)</i> Net commercial loans and receivables	7.088.909	13.275.641
Claims - total	2.363.081	1.958.737
Different debtors	346.361	317.877
Suppliers - debtors	28.638	27.469
VAT to be recovered and not exigible	1.124.321	441.618
Adjustment for other receivables	(396.290)	(304.633)
Expenses registered in advance	510.085	322.908
Other receivables	749.966	1.153.498
Total	9.451.990	15.234.378

Şantierul Naval Orşova S.A.
Quarterly report for the period ended at 31.03.2022

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

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

The movements of the Company's depreciation accounts, related to the adjustments of the trade receivables are the following:

	31.03.2022	31.03.2021
At 1st January	166.620	166.620
Impairment recovery	-	-
Constituted depreciation	-	-
Balance at the end of period	<u>166.620</u>	<u>166.620</u>

22. Trade payables and other liabilities

	31.03.2022	31.03.2021	Adjustment 31.03.2021
Trade payables - short term	7.274.448	1.420.800	527.870
Social security and other taxes	1.387.480	1.768.954	
Suppliers - invoices to be received	652.123	-	
Creditors/clients	17.821.176	3.053.247	
Other creditors	1.189.251	922.627	
Commercial debts – long term	905.912	-	1.366.761
Total	<u>29.230.390</u>	<u>7.165.628</u>	<u>1.894.631</u>

23. Loans Leasing obligations

Finance leases

As of March 31, 2022, the Company has no financial leasing contracts.

Operating leases

The total of the commitments contained in the leasing contract concluded with the National Company for the Administration of Maritime Ports Constanta as of March 31, 2022, recognized in accordance with IFRS 16, is RON 1.451.129. When discounting the leasing payments, since the company has no other loans contracted, it used the monetary policy interest rate of the BNR, of 2%.

The maturity of the leasing liabilities is as follows:

Şantierul Naval Orşova S.A.
Quarterly report for the period ended at 31.03.2022

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

23. Loans Leasing obligations (continued)

	2022	2021
Initial year	-	-
Year 1	-	-
Year 2	-	525.239
Year 3	568.917	568.917
Year 4	580.401	580.401
Year 5	442.976	442.976
Total	1.592.294	2.117.533
Debt balance March 31	1.451.129	1.894.631
Long-term	881.191	1.366.761
Short-term	569.938	527.870

24. Cash and cash equivalents- Lei

	31.03.2022	31.03.2021
Bank accounts in lei	1.001.184	2.681.576
Bank accounts in foreign currency(euro)	30.273.182	34.776.654
Petty cash in lei	12.790	11.838
Petty cash in foreign currency	-	-
Other values	148	83
Total	<u>31.287.304</u>	<u>37.470.151</u>

Şantierul Naval Orşova S.A.
Quarterly report for the period ended at 31.03.2022

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

25. Capital and reserves

Capital social

IFRS 7.7
IAS
1.79(a)(i),(iii) The shareholder structure as of March 31, 2022 has not undergone changes compared to the one existing on the reference date 31.12. 2021, date chosen for the AGOA of April 15, 2022, respectively:

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

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

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

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

Each subscribed and paid share, grants the shareholders, under the law, the right to vote in the General Meeting of Shareholders, to vote or to be elected to the governing bodies, the right to participate in the distribution of profit or any rights derived from the shareholder quality.

During period 01.01-31.03.2022 there were no changes in share capital.

Şantierul Naval Orşova S.A.
Quarterly report for the period ended at 31.03.2022

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

26. Employees benefits

a) Remuneration of directors and administrators

The Company did not grant advances or loans to directors or administrators in first three months of the year 2022.

Wage expenses:

	Financial exercise End at <u>31 March 2022</u> (lei)	Financial exercises End at <u>31 March 2021</u> (lei)
Administrators	149.499	146.934
Directors	296.763	324.746
	<u>446.262</u>	<u>471.680</u>

The composition of the Board of Directors on 31.03.2022 as it resulted from the expression of the shareholders' votes within the AGOA, starting with 28.12.2021, is the following:

Mr. Rosca Radu-Claudiu – President

Mr. Enescu Radu-Valentin – Vicepresident

Mr. Sperdea Mircea-Ion – member

Mr. Zoescu Mihai – member

Mr. Mihai Constantin-Marian – member

The indemnities and other rights granted to the directors are provided in Article 19 of the Articles of incorporation and in the management contracts, which were approved at the General meeting of shareholders on 02 October 2020, respectively at the General meeting of shareholders on 28 December 2021, And the salary and other rights due to the Director-General were established by the Board of Directors, within the limits provided for in Article 22 of the Articles of incorporation and, respectively, of the mandate contract concluded between the Board of Directors and the Director-General. The term of office of the current Management Board ends on 28 December 2025.

Şantierul Naval Orşova S.A.
Quarterly report for the period ended at 31.03.2022

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

26. Employees benefits (continued)

Salaries payable at the end of the period:

	<u>31 March 2022</u>	<u>31 March 2021</u>
	(lei)	(lei)
Administrators	29.154	28.653
Directors	31.037	30.002
	<u>60.191</u>	<u>58.655</u>

b) Employees

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

	Financial exercise Ended at <u>31 March 2022</u>	Financial exercises Ended at <u>31 March 2021</u>
Administrative staff	46	46
Direct productive staff	249	263
Indirect productive staff	60	61
	<u>355</u>	<u>370</u>

Administrator
 Ec.Radu Claudiu Rosca

Issued
 Ec. Marilena Visescu