

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

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

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

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

Administrator,
 Ec. Radu-Claudiu Rosca

Prepared by,
 Ec. Marilena Vişescu

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Separate financial statements 2022 in accordance with IFRS

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

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

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

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

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Reference **STATEMENT OF CHANGES IN EQUITY**

IAS
1.108,109

Attributable to equity holders

	Share capital	Share premium account	Revaluati on reserve	Other reserves	Retained earnings	Result for the period	Other elements of equity	Profit appropriation	Total equity
Balance at December 31, 2020	<u>28,557,298</u>	<u>8,862,843</u>	<u>27,212,735</u>	<u>24,565,083</u>	<u>7,743,844</u>	<u>4,653,501</u>	<u>(4,028,932)</u>	<u>(191,823)</u>	<u>97,374,549</u>
<i>IAS</i> <i>1.106(d)(i)</i> Profit/Loss adjustment for 2019	-	-	-	-	(5,849)	-	-	-	(5,849)
Profit/Loss adjustment for 2020	-	-	-	-	-	(18,127)	-	-	(18,127)
Balance at December 31, 2020-restated	<u>28,557,298</u>	<u>8,862,843</u>	<u>27,212,735</u>	<u>24,565,083</u>	<u>7,737,995</u>	<u>4,635,374</u>	<u>(4,028,932)</u>	<u>(191,823)</u>	<u>97,350,573</u>
Loss/ Net profit for the year	-	-	-	-	4,635,374	(4,789,244)	-	-	(153,870)
Profit appropriation	-	-	-	-	-	-	-	-	-
Transfer in reserve	-	-	(268,389)	85,563	(8,996)	-	(309,312)	191,823	(309,311)
Revaluation reserve	-	-	3,301,954	-	-	-	-	-	3,301,954
Dividends	-	-	-	-	(11,422,919)	-	-	-	(11,422,919)
Balance at December 31, 2021	<u>28,557,298</u>	<u>8,862,843</u>	<u>30,246,300</u>	<u>24,650,646</u>	<u>941,454</u>	<u>(153,870)</u>	<u>(4,338,244)</u>	<u>-</u>	<u>88,766,427</u>
<i>IAS</i> <i>1.106(d)(i)</i> Loss/ Net profit for the year	-	-	-	-	(153,870)	(4,061,247)	-	-	(4,215,117)
Profit appropriation	-	-	-	-	-	-	-	-	-
Transfer in reserve	-	-	(104,636)	(6,054,147)	6,158,783	-	323,793	-	323,793
Revaluation reserve	-	-	(836,984)	-	-	-	-	-	(836,984)
<i>IAS 1.106</i> Dividends	-	-	-	-	(6,054,147)	-	-	-	(6,054,147)
Balance at December 31, 2022	<u>28,557,298</u>	<u>8,862,843</u>	<u>29,304,680</u>	<u>18,596,499</u>	<u>892,220</u>	<u>(4,215,117)</u>	<u>(4,014,451)</u>	<u>=</u>	<u>77,983,972</u>

Administrator,
 Ec. Radu-Claudiu Rosca

Prepared by,
 Ec. Marilena Vişescu

Şantierul Naval Orşova S.A.
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<i>Reference</i>	STATEMENT OF CASH FLOWS		2022	2021
	For the financial year ended at 31 December	Note	RON	RON
<i>IAS 1.10(d), 113</i>	Cash flows from operating activities			
	Profit for the period		(4,215,117)	(153,870)
	Adjustments for:			
	Amortization of intangible and tangible assets	<i>15,16,17</i>	4,442,279	4,755,219
	Depreciation of fixed assets		(96,057)	85,315
	Losses from various receivables and debtors	<i>10</i>	(4,180)	3,425
	Expenses from revaluation of tangible assets			
	Net expenses/(net income) with provisions		647,577	6,757
	Impairment of current assets	<i>10,20</i>	247,555	(2,485,538)
	Loss from the sale of tangible assets		71,587	1,691
	Profit from fixed assets held for sale	<i>6,21</i>	-	152,602
	Current income tax expenses	<i>13a</i>	-	646,234
	Specific activities tax expenses	<i>13b</i>	13,671	13,671
	Deferred income tax expenses	<i>13a</i>	83,512	740,130
	Deferred tax income		(115,769)	(735,326)
	Cash - flows from operating activities before changes in working capital		1,075,058	3,030,310
	Changes in working capital			
	Changes related to inventories		(28,328,550)	14,509,467
	Changes related to trade receivables and other receivables		18,493,726	(18,942,002)
	Changes in accrued expenses		3,790	(35,064)
	Changes in trade payables and other liabilities		12,111,488	170,991
	Cash generated / (used) from / (in) operating activities		3,355,512	(1,266,298)
	Interest paid (leasing)	<i>12,17</i>	(26,650)	(35,702)
<i>IAS 7.35</i>	Income tax paid		(13,671)	(659,905)
<i>IAS 7.10</i>	Net cash from operating activities		3,315,191	(1,961,905)
	Cash flows from investing activities			
<i>IAS 7.31</i>	Interest received		34,742	22,807
<i>IAS 7.16(a)</i>	Purchases of tangible and intangible assets	<i>15,16</i>	(1,944,633)	(3,583,458)
	Short term investments		(397,916)	770,502
<i>IAS 7.10</i>	Net cash used in investing activities		(2,307,807)	(2,790,149)

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

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

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

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

TABLE OF CONTENTS

	Page		Page
1. Reporting company	9	19. Investment property	48
2. Basis of preparation	9	20. Inventories	48
3. Significant accounting policies	17	21. Non-current assets held for sale	49
4. Determination of fair value	27	22. Trade receivables and related, other receivables and accrued expenses	49
5. Revenue	29	23. Short term investments	50
6. Other Income	29	24. Cash and cash equivalents	51
7. Expenses related to inventories	30	25. Capital and reserves	52
8. Utility expenses	31	26. Earnings per share	54
9. Personnel Expenses	31	27. Loans	55
10. Receivables allowances and inventories write-down	32	28. Leases' liabilities	57
11. Other expenses	32	29. Employee benefits	58
12. Financial income and expenses	34	30. Provisions	60
13. Income tax expense / Specific activity tax expenses	35	31. Trade payables and other payables	61
14. Deferred tax assets and liabilities	36	32. Financial instruments	61
15. Tangible Non-current assets	37	33. Contingent assets and contingent liabilities	67
16. Intangible assets	44	34. Related parties	70
17. Rights-of-use assets	45	35. Events after reporting period	71
18. Other investments, including derivatives	46		

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

Şantierul Naval Orşova S.A.

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

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

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

IAS 1.51(a)-(c) The separate financial statements in accordance with IFRS have been prepared for the year ended 31 December 2022. The Company's main activity is: **construction of ships and floating structures (NACE code: 3011).**

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

a. Statement of compliance

IAS 1.16 The company has prepared the annual financial statements for the year ended 31 December 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 March 9th, 2023.

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

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

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

b. Professional judgements and key assumptions

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

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

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

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

c. New International Financial Standards not applied by the Company

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

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

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

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

d. Presentation of financial statements

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

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

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

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

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

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

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

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

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

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

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

e. Standards and interpretations available in the current period

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

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

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

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

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

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

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

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

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

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

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

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

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

IFRS 10	Consolidated Financial Statements	Establishing principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities.
IFRS 11	Joint Arrangements	Establishing principles for financial reporting for entities that hold interests in jointly controlled commitments..
IFRS 12	Disclosure of Interests in Other Entities	Requires an entity to disclose information that will enable users of its financial statements to evaluate: the nature and risks associated with interests held in other entities; and the effects of those interests on the financial position, financial performance and its cash flows.
IFRS 13	Fair value measurement	The definition of fair value, establishing, in a single IFRS, a framework for measuring fair value, requiring the presentation of information on fair value.
IFRS 15	Revenue from Contracts with Customers	IFRS 15 specifies how and when an IFRS reporter will recognise revenue as well as requiring such entities to provide users of financial statements with more informative, relevant disclosures. The standard provides a single, principles based five-step model to be applied to all contracts with customers. IFRS 15 was issued in May 2014 and applies to an annual reporting period beginning on or after 1 January 2018. On 12 April 2016, clarifying amendments were issued that have the same effective date as the standard itself.
IFRS 16	Leasing contract	Its objective is to standardize the way in which financial and operational leasing contracts are recognized in order to have a better comparability in the financial statements between the entities that use different types of contracts
IFRS 17	Insurance contracts	Aims to ensure that an entity provides relevant information that accurately represents those contracts.

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

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

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

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

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

a. Foreign currency

(i) Transactions in foreign currency

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

b. Financial instruments

(ii) Share capital

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

c. Tangible Assets

IAS 16.73 (a) (i) Recognition and evaluation

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

117(a)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(ii) Reclassification to investment property

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

(iii) Depreciation of tangible non-current assets

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

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

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

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

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

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

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

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

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

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

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

(iv) Derecognition

The account value of a fixed asset shall be derecognised:

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

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

d. Intangible Assets

(1) Cost

(i) *Software*

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

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

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

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

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

117(a)

(ii) Other intangible assets

All other intangible assets are recognized at cost.

Intangible assets are not revalued.

(2) Amortization

(i) Software

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

(ii) Other intangible assets

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

e. Rights-of-use for leases assets

The company as a lessees

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

Leasing liability

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

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

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

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

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

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

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

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

Rights-of-use assets

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

f. Investment property

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

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

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

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

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

g. Inventories

Inventories are assets:

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

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

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

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

117(a)

Measurement of inventories

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

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

Cost of inventories

The primary basis for accounting inventories is the cost .

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

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

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

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

h. Impairment

(i) Financial assets (including receivables)

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

If in a subsequent period, an event occurring after the recognition of the impairment will determine an increase of the asset's value, the impairment will be reversed.

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

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

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

i. Employee benefits

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

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

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

j. Provisions

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

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

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

(2) Provisions for litigation

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

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

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

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

(3) Provisions for guarantees

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

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

k. Revenue

Revenue refers to goods sold and services rendered.

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

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

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

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

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

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

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

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

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

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

117(a)

m. Income tax

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

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

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

Recognition of deferred tax assets and liabilities

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

4. Determination of fair value

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

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

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

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

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

4. Determination of fair value (continued)

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

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

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

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

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

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

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

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

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

5. Revenue

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

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

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

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

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

6. Other income

	<u>2022</u>	<u>2021</u>
	RON	RON
Rental income (other than rental of investment property)	487,999	1,077,244
Income from compensations and penalties	-	171,238
Other operating incomes	553,784	92,472
Total	<u>1,041.783</u>	<u>1,340.954</u>

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

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

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

6. Other income (continued)

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

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

7. Expenses related to inventories

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

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

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

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

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

8. Utility expenses

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

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

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

IAS 1.104 **9. Personnel expenses**

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

In 2022, employee benefit expenses are at a lower level, by 17.50% compared to 2021. This decrease is due to the decrease in the volume of production made and delivered in 2022, in the conditions in which the employment salaries of the Company's staff were increased, starting with May 2022, with an average percentage of 5.5%.

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

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

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

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

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

10. Receivables allowances and inventories write-down

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

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

IAS 1.97

11. Other expenses

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

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

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

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

IAS 1.97 **11. Other expenses**

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

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

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

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

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

Recognized in income statement

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

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

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

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

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

13a. Income tax expenses

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

13b. Expenditure with the specific activity

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

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

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

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

14. Deferred tax assets and liabilities

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

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

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

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

Şantierul Naval Orşova S.A.

Separate financial statements 2021 in accordance with IFRS as adopted by EU

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

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

		<u>Land and buildings</u>	<u>Machines and Equipment</u>	<u>Furniture and fixtures</u>	<u>Work in progress</u>	<u>Total</u>
		RON	RON	RON	RON	RON
	Cost or assumed cost					
<i>IAS 16.73 (d)</i>	Balance at 1 January 2022	21,262,106	56,035,571	508,922	3,564,578	81,371,177
<i>IAS 16.73 (e)(i)</i>	Acquisition	1,837,646	3,438,214	26,848	814,472	6,117,180
<i>IAS 16.73 (e)(ii)</i>	Disposals of tangible non-current assets	17,783	377,100	-	3,159,024	3,553,907
	Net reevaluation	-	(836,984)	-	-	(836,984)
<i>IAS 16.73 (d)</i>	Balance at 31 December 2022	23,081,969	58,259,701	535,770	1,220,026	83,097,466
	Depreciation and impairments					
<i>IAS 16.73 (d)</i>	Balance at 1 January 2022	0	40,393,612	444,320	-	40,837,932
<i>IAS 16.73 (d)(vii)</i>	Depreciation for the year	2,084,170	1,765,760	14,672	-	3,864,602
<i>IAS 16.73 (d)(vi)</i>	Reversal of impairment losses		(39,941)		-	(39,941)
<i>IAS 16.73 (d)(ii)</i>	Disposal of tangible non-current assets	1,086	302,515	-	-	303,601
	Discounts representing cancellation of depreciation due to revaluation	-	21,309	-	-	21,309
<i>IAS 16.73 (d)</i>	Balance at 31 December 2022	2,083,084	41,795,607	458,992	-	44,337,683
<i>IAS 1.78 (a)</i>	Net book value					
	Balance at 1 January 2022	<u>21,262,106</u>	<u>15,641,959</u>	<u>64,602</u>	<u>3,564,578</u>	<u>40,533,245</u>
	Balance at 31 December 2022	<u>20,998,885</u>	<u>16,464,094</u>	<u>76,778</u>	<u>1,220,026</u>	<u>38,759,783</u>

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

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

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

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

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

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

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

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

Revaluation of tangible non-current assets

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

According to IFRS 13, valuation at fair value of buildings and means of naval shipping supposed taking into consideration the characteristics of the assets, which users of financial statements would consider in determining the price of the asset at the balance sheet date. Fair value determination was carried out by an independent external evaluator and shall be treated as level 2 under IFRS 13 for the data taken into account in determining the fair values as at 31 December 2022, the date of financial reporting. At the company level, there has not been any change of the level presented by IFRS 13 for the data taken into account in determining the fair values. Also, the maximum amount for assets valued at fair value does not differ from the current amount of use.

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

- RON-

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

Impairment losses and subsequent reversals

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

Pledged or mortgaged tangible assets

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

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

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

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

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

Tangible assets in progress

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

Changes in Accounting Estimates

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

Changes in classification

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

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

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

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

IAS 38 **16. Intangible Assets**

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

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

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

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

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

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

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

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

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

17. Right-of-use assets (continued)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

IAS 40 **19. Investment property**

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

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

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

20. Inventories

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

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

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

Evolution of inventory write-downs

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

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

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

21. Fixed assets held for sale

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

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

During 2021, the last reclassified assets in this category were sold, namely the two plots of land owned by the company in the Area of Gratca, Orsova, this transaction generating a profit of 152,602 lei.

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

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

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

Long term

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

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

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

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

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

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

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

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

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

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

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

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

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

23. Short term investments

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

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

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

23. Short term investments (continued)

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

24. Cash and cash equivalents

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

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

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

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

Reference NOTES TO SEPARATE FINANCIAL STATEMENTS IN ACCORDANCE WITH IFRS

25. Capital and reserves

Share capital

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

IAS

1.79(a)(i),(iii)

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

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

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

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

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

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

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

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

25. Capital and reserves (continued)

Reserves

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

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

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

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

IAS 1.107

Profit appropriation / Dividends declared and paid

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

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

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

26. Earnings per share

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

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

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

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

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

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

26. Earnings per share (continued)

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

27. Loans

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

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

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

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

- On 31st of December 2022 society have approved a single overall limit to BRD guaranteed as stated below.
- Buildings have been evaluated and taken as warranty at the following market value:
 - 2013 - 1,733,000 EUR (* 4.4847 RON/EUR= 7,771,985 RON)
 - 2014 - 1,733,000 EUR (* 4.4351 RON/EUR= 7,686,000 RON)
 - 2014 - 640,204.14 EUR (* 4.4821 RON/EUR= 2,869,459 RON)

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

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

27. Loans (continued)

- 2015 - 1,615,300 EUR (* 4.5245 RON/EUR=7,308,424 RON)
 - 2016 – 1,512,800 EUR (* 4.5411 RON/EUR=6,869,776 RON)
 - 2017– 1,512,800 EUR (* 4.6597 RON/EUR=7,049,194 RON)
 - 2018 - 1,512,800 EUR (* 4.6639 RON/EUR=7,055,548 RON)
 - 2019 - 1,512,800 EUR (* 4,7793 RON/EUR = 7,230,125 RON)
 - 2020 - 1,512,800 EUR (*4,8694 RON/EUR = 7,366,428 RON)
 - 2021 – 1,512,800 EUR (4.9481 RON/EUR = 7,485,486 RON)
 - 2022 – 1,500,000 EUR (*4,9474 lei/EUR = 7,421,100 RON)
3. Receivables -value of letters of credit that will be charged by the concerned bank (BRD):
- 2013 - 3,566,760 EUR (* 4.4847 RON/EUR= 15,995,848 RON)
 - 2014 - 2,213,440 EUR (* 4.4821 RON/EUR= 9,920,859 RON)
 - 2015 - 4,472,000 EUR (* 4.5245 RON/EUR= 20,233,564 RON)
 - 2016 - 2,480,000 EUR (* 4.5411 RON/EUR=11,261,928 RON)
 - 2017- 0 EUR (* 4.6597 RON/EUR= 0 RON)
 - 2018—1,745,000EUR (*4.6639 RON/EUR=8,138,506 RON) + assignment
receivables 11,197,000EUR*4.6639=52,221,688 RON
 - 2019 - 2,310,000 EUR (* 4,7793 RON/EUR = 11,040,183 RON) + assignment
receivables 9,842,730 EUR * 4.7793 = 47,041,359 RON
 - 2020 - 0 EUR
 - 2021 – 0 EUR
 - 2022 – 2,165,500 EUR (*4.9474 lei/EUR = 10,711.121 RON)
4. Pledge on a deposit in the amount of 401,201 EUR BRD, plus accrued interest of:
- 2013 - 589,000 EUR (* 4.4847 RON/EUR= 2,641,488 RON)
 - 2014 - 589,000 EUR (* 4.4821 RON/EUR= 2,639,957 RON)
 - 2015 - 642,714.64 EUR (* 4.5245 RON/EUR=2,907,962 RON)
 - 2016 – 400,000 EUR (* 4.5411 RON/EUR=1,816,440 RON)
 - 2017- 400,600 EUR (* 4.6597 RON/EUR=1,863,80 RON)
 - 2018 - 401,000 EUR (* 4.6639 RON/EUR = 1,870,227 RON)
 - 2019 - 401,201 EUR (* 4.7793 RON/EUR = 1,917,460 RON)
 - 2020 - 401,201 EUR (* 4.8694 RON/EUR = 1,953,608 RON)
 - 2021 – 401,201 EUR (* 4.9481 RON/EUR = 1.985.183 RON)
 - 2022 – 401,201 EUR (* 4,9474 lei/EUR = 1.985.022 RON)

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

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

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

27. Loans (continued)

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

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

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

28. Leases' liabilities

Financial leasing contracts

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

Operating leases

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

The maturity of the leasing liabilities is as follows:

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

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

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

29. Employee benefits

a) The remuneration of directors and administrators

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

The fixed monthly remuneration of the administrators for the period 01 January - 31 December 2022 was in the amount of 597,996 lei (587,889 lei in 2021), in accordance with the provisions of the Articles of Incorporation and the remuneration policy of the Company.

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

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

Wage expenses

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

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

Mr. Rosca Radu-Claudiu – President
Mr. Enescu Radu-Valentin - Vice-president
Mr. Sperdea Mircea-Ion – Member
Mr. Zoescu Mihai – Member
Mr. Mihai Constantin-Marian – Member

The allowances and other rights granted to the administrators are provided for in Art. 19 of the Articles of Incorporation and in the management contracts, which were approved in the General Meeting of Shareholders on October 2, 2020, respectively in the General Meeting of Shareholders on April 15,

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

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

29. Employee benefits (continued)

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

Salaries payable due at period end:

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

b) Employees

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

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

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

Reference NOTES TO SEPARATE FINANCIAL STATEMENTS IN ACCORDANCE WITH IFRS

30. Provisions

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

Provisions for employee benefits

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

IAS 1.125

Litigation

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

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

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

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

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

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

30. Provisions (continued)

Other provisions

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

31. Trade payables and other liabilities

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

Short-term commercial debts mainly relate to payment obligations to suppliers and advances received from customers, both types of obligations increasing compared to the previous year.

Thus, according to the production schedule, the company made a larger volume of acquisitions, mainly raw materials and materials, but at the same time collected advances from customers, in accordance with the contractual provisions.

32. Financial instruments

General presentation

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

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

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

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

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

32. Financial instruments (continued)

The general risk management

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

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

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

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

Credit risk

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

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

Credit risk exposure

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

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

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

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

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

32. Financial instruments (continued)

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

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

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

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

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

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

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

32. Financial instruments (continued)

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

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

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

Receivables Allowances

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

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

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

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

32. Financial instruments (continued)

Liquidity risk

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

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

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

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

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

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

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

32. Financial instruments (continued)

IFRS 7.34 *Exposure to currency risk*

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

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

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

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

Currency	<u>Average rate</u>		<u>Spot rate at the reporting date</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
RON				
EUR	4,9315	4,9204	4,9474	4,9481
USD	4,6885	4,1604	4,6346	4,3707

a. Interest rate risk

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

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

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

32. Financial instruments (continued)

b. Capital management

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

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

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

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

33. Contingent assets and contingent liabilities

a. Litigation and disputes

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

b. Taxation

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

33. Contingent assets and contingent liabilities (continued)

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

c. Restructuring

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

d. Administrators remuneration

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

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

e. Onerous contracts

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

33. Contingent assets and contingent liabilities (continued)

f. The contingent liabilities related to the environment

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

g. Insurances

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

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

h. Transfer price

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

i. Warranty letters

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

Şantierul Naval Orşova S.A.

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

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

33. Related parties

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

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

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

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

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

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

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

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

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

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

34. Related parties (continued)

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

Acquisitions of goods and services

	<u>2022</u>	<u>2021</u>
	RON	RON
THR Marea Neagră	1,523	1,120
Romradiatoare Brasov	3,436	-
Aro Palace Brasov	267	-

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

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

35. Subsequent events

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

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

Administrator,
Ec. Radu Claudiu Rosca

Prepared by,
Ec. Marilena Vişescu