

TTS (Transport Trade Services) S.A.

**CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016**

**PREPARED IN ACCORDANCE WITH
THE INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS")
AS ADOPTED BY EU**

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of TTS (Transport Trade Services) SA

Opinion

We have audited the consolidated financial statements of TTS (Transport Trade Services) SA (the Company), which comprise the consolidated statement of financial position as at December 31, 2016, and the consolidated statement of profit and loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2016, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Romania, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter

We draw your attention to note 1 to the consolidated financial statements for TTS (Transport Trade Services) S.A. for the year ended December 31, 2016 for which we have issued an audit report without any modification dated May 16th, 2017. The current report refers to TTS consolidated financial statements at the same date which were approved on July 31, 2017. These financial statements contain only supplementary explanatory notes compared to the ones initially approved. The current audit report refers to TTS consolidated financial statements as at December 31, 2016 which were approved on July 31, 2017. These financials contain supplementary notes compared to the ones initially approved related to segment reporting as presented in note 1 to the financial statements.

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Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Deloitte Audit SRL

Deloitte Audit S.R.L.
Bucharest, Romania
July 31, 2017

TTS (Transport Trade Services) S.A.
CONSOLIDATED STATEMENT OF PROFIT & LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2016
(all amounts are expressed in RON, unless specified otherwise)

		<u>Year ended December 31, 2016</u>	<u>Year ended December 31, 2015</u>
Revenue	4	405,685,476	422,452,120
Raw materials and consumables		(66,011,183)	(80,112,054)
Merchandise sold		(19,530,587)	(21,611,616)
Depreciation and amortization		(58,334,399)	(55,168,070)
Subcontractors expenses	8	(135,022,649)	(137,538,744)
Payroll expenses		(73,007,238)	(61,544,493)
Other expenses	5	(31,475,779)	(29,443,397)
Other gain and losses	7	(1,892,537)	(19,314,190)
Total operating result		20,411,104	17,719,557
Investment expenses	6	4,827,736	(821,368)
Net of finance cost/income	9	(2,057,189)	(2,818,188)
Profit of the year from continuing operations		<u>23,181,651</u>	<u>14,080,000</u>
Income tax expenses	10	(4,911,415)	(3,507,364)
Profit of the year attributable to:		<u>18,270,236</u>	<u>10,572,636</u>
Attributable to:			
Owners of the Company		15,117,074	9,641,310
Non-controlling interests		3,153,160	931,326
Total comprehensive income for the year attributable to:			
Owners of the Company		15,117,074	9,641,310
Non-controlling interest		3,153,160	931,326

These consolidated financial statements have been approved by the Board of Directors and authorized to be issued on July 31, 2017.


Mihailescu Alexandru Mircea,
President of the Board of Directors


Stefan Petru,
CFO

TTS (Transport Trade Services) S.A.
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2016
(all amounts are expressed in RON, unless specified otherwise)

	<u>Note</u>	<u>Year ended December 31, 2016</u>	<u>Year ended December 31, 2015</u>
ASSETS			
Non-current assets			
Property, plant and equipment	12	536,048,620	532,604,812
Goodwill	13	2,943,521	713,142
Intangible assets	14	4,930,858	3,352,721
Investments in associates	15	27,155,577	16,410,370
Other long term assets	16	2,066,984	1,370,117
Total non-current assets		<u>573,145,560</u>	<u>554,451,162</u>
Current assets			
Inventories	17	23,751,224	18,402,897
Trade and other receivables	18	47,461,664	64,282,578
Loans granted to associates		-	-
Other current assets	19	17,724,704	22,714,291
Cash and cash equivalents	29	55,746,682	31,796,025
Current assets held for sale	20	-	3,218,694
Total current assets		<u>144,684,274</u>	<u>140,414,484</u>
Total assets		<u>717,829,834</u>	<u>694,865,647</u>
EQUITY AND LIABILITIES			
Equity and reserves			
Share capital	21	35,072,441	35,072,442
Share premiums	21	46,417,946	46,417,946
Reserves	22	155,530,829	155,530,830
Retained earnings		245,944,482	235,896,709
Equity attributable to equity holders of the parent		<u>482,965,698</u>	<u>472,917,926</u>
Non-controlling interest	23	<u>95,980,547</u>	<u>88,055,150</u>
Non-current liabilities			
Interest-bearing loans and overdraft	24	30,039,845	6,110,167
Deferred tax liabilities	10	(19,352)	496,193
Other long term liabilities		10,455,371	2,753,235
Total non-current liabilities		<u>40,475,864</u>	<u>9,359,595</u>

Notes attached are an integrant part of these consolidated financial statements.

TTS (Transport Trade Services) S.A.
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2016
(all amounts are expressed in RON, unless specified otherwise)

	<u>Note</u>	<u>Year ended December 31, 2016</u>	<u>Year ended December 31, 2015</u>
Current liabilities			
Trade and other payables	25	42,151,828	34,406,256
Current portion of the leasing		3,956,323	2,669,125
Interest bearing loans and borrowings	24	29,402,522	62,263,963
Provisions for risks and charges	26	3,822,175	3,026,263
Other current liabilities	27	19,074,878	22,167,367
Total current liabilities		<u>98,407,726</u>	<u>124,532,975</u>
Total liabilities		<u>138,883,590</u>	<u>133,892,570</u>
Total equity and liabilities		<u>717,829,835</u>	<u>694,865,647</u>

These consolidated financial statements have been approved by the Board of Directors and authorized to be issued on July 31, 2017.



Mihailescu Alexandru Mircea,
President of the Board of Directors



Stefanut Petru,
CFO

TTS (Transport Trade Services) S.A.
CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2016
(all amounts are expressed in RON, unless otherwise specified)

	Share capital	Share premiums	Legal reserves	Other Reserves	Retained earnings	Attributable to owners of the parent	Non controlling interests	Total
Balance as at January 1, 2016	35,072,442	46,417,946	6,666,572	148,864,257	235,896,709	472,917,926	88,055,150	560,973,076
Profit for the year	-	-	-	-	15,117,074	15,117,074	3,153,159	18,270,234
Revaluation reserves	-	-	-	-	-	-	-	-
Dividends distributed	-	-	-	-	(4,465,540)	(4,465,540)	(691,724)	(5,157,264)
Increase in percentage held in subsidiaries	-	-	-	-	(603,761)	(603,761)	(1,119,016)	(1,722,777)
Acquisition of subsidiaries (Plimisoll/Fluvius)	-	-	-	-	-	-	6,582,977	6,582,977
Deferred taxes pertaining to the revaluation reserve	-	-	-	-	-	-	-	-
Balance as at December 31, 2016	35,072,442	46,417,946	6,666,572	148,864,257	245,944,483	482,965,697	95,980,547	578,946,245

During 2016, the shareholders decided dividend distribution in amount of RON 4,465,540.

Also during 2016, the Group increased its shareholding in Trans Europa Port from 91.26% to 99.9184%. The amount paid was RON 1,810,740. Shareholding in Cargo Trans Vagon S.A. was increased in 2016 from 29.60% to 43.67%.

Additionally to this, the Group has acquired in 20 June 2016 the 51% stake in Plimisoll KFT for a consideration of EUR 2,000,000. Plimisoll KFT owns in a proportion of 100% the entity Fluvius KFT.

These consolidated financial statements have been approved by the Board of Directors and authorized to be issued on July 31, 2017.


Mihai Mircea
 President of the Board of Directors


Stefan Petru,
 CFO

TTS (Transport Trade Services) S.A.
CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2016
(all amounts are expressed in RON, unless otherwise specified)

	Share capital	Share premiums	Legal reserves	Other reserves	Retained earnings	Attributable to owners of the parent	Non controlling interests	Total
Balance as at January 1, 2015	35,072,442	46,417,946	6,666,572	149,235,765	235,690,450	473,083,173	106,444,735	579,527,907
Profit for the year	-	-	-	-	9,641,310	9,641,310	931,326	10,572,626
Revaluation reserves	-	-	-	(371,506)	-	(371,506)	-	(371,506)
Dividends distributed	-	-	-	-	(6,436,573)	(6,436,573)	-	(6,436,573)
Increase in percentage held in subsidiaries	-	-	-	-	(2,998,479)	(2,998,479)	(19,320,910)	(22,319,389)
Deferred taxes pertaining to the revaluation reserve	-	-	-	-	-	-	-	-
Balance as at December 31, 2015	35,072,442	46,417,946	6,666,572	148,864,257	235,896,709	472,917,926	88,055,150	560,973,076

During 2015, the shareholders decided dividend distribution in amount of RON 6,436,573.

Also during 2015, the Group increased its shareholding in Navrom from 87.4% to 91.79% following the delisting of Navrom from an alternative market Rasdaq through acquisition of own shares from the shareholders who expressed their intention to sell according to legal requirements. The amount paid was RON 13,734,732.

Also during 2015, the Group increased its shareholding in Trans Europa Port from 51% to 91.2572% for a consideration of RON 8,336,820.

These consolidated financial statements have been approved by the Board of Directors and authorized to be issued on July 31, 2017.



Mihai Mircea,
 President of the Board of Directors



Stefan Petru,
 CFO

Notes attached are an integral part of these consolidated financial statements.

TTS (Transport Trade Services) S.A.
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2016
(all amounts are expressed in RON, unless otherwise specified)

	Year ended December 31, 2016	Year ended December 31, 2015
	RON	RON
Cash flows from operating activities		
Profit before taxation	23,181,649	14,080,000
Adjustments for non-cash items:		
Depreciation, amortization and impairment	58,334,399	55,168,070
Net interest expenses	1,602,498	2,223,510
(Gain)/ Loss from disposals of fixed assets	(3,651,686)	1,810,887
Net increase in provision for current assets	6,116,513	19,162,079
Net increase / (Decrease) in provision for risks and charges	795,912	(76,213)
Net increase / (Decrease) from assets held for sale	833,694	81,778
Net increase in investments	(6,684,730)	1,785,883
Income from fixed assets received free of charge	-	-
Net increase in provision for for fixed assets	-	-
Deferred tax income / (expense)	-	-
IFRS transition of non-monetary items	-	-
Exchange rates differences	-	-
Operating profit before working capital changes	80,528,244	94.235.994
Changes in operating assets and liabilities:		
Increase in trade and other receivables	16,025,314	20,717,801
Decrease / (Increase) in inventories	(4,592,344)	2,130,205
Increase / (Decrease) in trade and other payables	4,893,510	(10,356,052)
Cash generated from operations	96,854,723	106,727,948
Interests paid	(1,602,498)	(2,492,183)
Income tax paid	(8,149,617)	(6,222,476)
Net cash flow generated from operations	87,102,608	98,013,289
Investing activities:		
Purchases of tangible and intangible assets	(40,648,552)	(65,047,225)
Paymentsfor investments	(21,107,800)	(15,673,702)
Income from sale of fixed assets	7,793,871	372,865
Loans reimbursed / (granted) from / to associates	-	(8,130,695)
Encashments from sale of investments	5,566,823	-
Encashments from sale of investments held for sale	2,385,000	-
Interest received	-	268,673
Cash flow used in investing activities	(46,010,659)	(88,210,084)

Notes attached are an integrant part of these consolidated financial statements.

TTS (Transport Trade Services) S.A.
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2016
(all amounts are expressed in RON, unless otherwise specified)

	Year ended December 31, 2016	Year ended December 31, 2015
	RON	RON
Financing activities:		
Proceeds from share capital increase	-	2,060,281
Non-controlling interest contribution	(6,946,774)	(3,955,338)
Dividends paid	(10,885,312)	(22,277,063)
Loan (paid) / received	(1,184,423)	3,867,501
Increase / (Decrease) in leasing	-	-
Proceeds from reimbursements of loans from associates	-	-
Cash flow generated by financing activities	(19,016,509)	(20,304,619)
Net (decrease) / increase in cash and cash equivalents	22,075,440	(10,501,414)
Cash and cash equivalents at the beginning of the year	31,796,025	42,297,440
Cash and cash equivalents obtained from take-over of subsidiaries	1,875,217	-
Cash and cash equivalents at the end of the year	55,746,682	31,796,025

These consolidated financial statements have been approved by the Board of Directors and authorized to be issued on July 31, 2017.



Mihailescu Alexandru Mircea,
President of the Board of Directors



Stefanut Petru,
CFO

TTS (Transport Trade Services) S.A.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(all amounts are expressed in RON, unless otherwise specified)

1. GENERAL INFORMATION

TTS (Transport Trade Services) SA (hereinafter referred to as 'the Company'), is a company incorporated in Romania, in 1997 having its registered office at no 34, Vaselor Street, Bucharest. The core business of the Company is represented by activities related to transports. SC TTS (Transport Trade Services) S.A. operates as sender of goods in domestic and international transport, on interior river ways, offering integrated/modular transport services. The consolidated financial statements of the Company as at and for the year ended December 31, 2016 were initially approved on May 16, 2017. This version includes supplementary explanatory notes related to business segment reporting according to IFRS 8 (see note 11), necessary information for the listing process at BVB.

The consolidated financial statements of the Company as at and for the year ended 31 December 2016 comprise the Company and its subsidiaries (together referred to as "Group" and individually as "Group entities").

As at December 31, 2016 the Company owned directly or through other subsidiaries investments in the following entities:

CNFR NAVROM SA is a stockholding entity established in 1991 where TTS SA holds 91.79% (2015: 91.79%) of the share capital, the rest being owned by several individuals. The entity's headquarters is at No 34, Portului Street, Galati County. The core business of the entity is transportation of goods on rivers (code CAEN 5040).

CANOPUS STAR SRL is a limited liability entity, established in 2001, where TTS SA owns 51% of the share capital. The entity's headquarter is in Incinta Port Digul de Nord Km1+ 100 Street, Cladirea Administrativa Et.1, Constanta County. The core business is represented by the river handling of goods (code CAEN 5224).

TRANS EUROPA PORT SA is a stockholding entity, established in 1996, where TTS SA owns 99.92% (2015: 91.2572%) from the total share capital. The entity's headquarters is on Regiment 11 Siret Street, Galati County. The core business is represented by the river handling of goods (code CAEN 5224) which merged with Europort Logistics (another subsidiary) during 2014.

TTS OPERATOR SRL is a limited liability entity, established in 1994, where TTS SA owns 90% from the total share capital. The entity's headquarter is in Incinta Port Digul de Nord Km1+ 100 Street, Cladirea Administrativa Et.1, Constanta County. The core business is represented by the river handling of goods (code CAEN 5224).

AGRIMOL TRADE SRL is a limited liability entity, established in 2010, where TTS SA owns 99.9%. The entity's headquarters is at no 34, Vaselor Street, Bucharest. The core business is trading of agricultural raw materials, live animals, textile raw materials and semi-finished goods (cod CAEN 4611).

SIM TUR SRL is a limited liabilities entity, established in 2006, where TTS SA owns 91,79%. The headquarters of the entity is in Town Berca, no. 320, Buzau Couty. The core business is represented by hotels and similar services (code CAEN 5510).

CERNAVODA SHIPYARD SRL is a limited liability entity, established in 2013, where TTS SA owns indirectly 91.78%, as follows: 91.04% through Navrom S.A., respectively 0.74% through TTS Operator S.R.L. (as at December 31, 2015, owned directly 99% and through TTS Operator SR.L. 1 %). The investment was sold to Navrom in 12 December 2016. The entity's headquarters is at no 1, Canalului Street, Cernavoda. The core business is related to repair and maintenance of ships and boats (cod CAEN 3315).

TTS (Transport Trade Services) S.A.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(all amounts are expressed in RON, unless otherwise specified)

1. GENERAL INFORMATION (continue)

Bunker Trade Logistics SRL is a limited liability entity, established in 2013, where TTS SA owns indirectly 91.70%, as follows: 87.20% through Navrom S.A, respectively 4.50% through TTS Operator S.R.L (as at December 31, 2015 owned directly 51%, through CNFR Navrom 44% and through TTS Operator SRL 5%). The sale of 51% was made at 15 September 2016, to Navrom. The entity's headquarters is in Constanta, incinta Port. The core business is related river various services (cod CAEN 5222).

CARGOROM TRANS BVBA is a limited liability entity, established in 1997, where TTS SA owns 51%. The entity's headquarter is Antwerpen, Str. Ferdinand verbiest no. 59/6, Belgium. The core business is represented by services similar to the transportation of goods.

TTS (Transport Trade Services) GMBH is a liability entity established in 2014, where TTS owns 75% of share capital. The entity headquarters is at 15b Lerchengasse, Langerzersdorf, Austria. The core business is represented by activities related to transport.

NAVROM BAC SRL is a limited liability entity, established in 1999, where TTS SA owns indirectly through CNFR Navrom SA 89,38% from the share capital. The entity's headquarters is at no. 1, Faleza Dunarii Street, Galati County. The core business is related to the transportation of passengers on rivers (code CAEN 5030).

NAVROM – CENTRU DE AFACERI SA is a stockholding entity, established in 1999, where TTS SA owns indirectly through CNFR Navrom 87.69% from the share capital. The entity's headquarters is at no. 23, Portului Street, Galati County. The entity's core business is related to the rental and sub-rental of goods owned or rented (code CAEN 6820).

NAVROM SHIPYARD SRL is a limited liability entity established in 1999, where TTS SA owns indirectly through CNFR Navrom 91.55% from the share capital. The core business is related to the maintenance and repair of the ships and boats (code CAEN 3315).

HOTEL MERCUR is an entity established in 2011, where TTS SA owns indirectly through CNFR Navrom 91.79%. The entity's headquarters is at no. 23, Portului Street, Galati county.

ROM PESC IMPEX SRL is a limited liability entity, established in 2003, where TTS SA owns indirectly through Navrom-Centru de Afaceri S.R.L. 87.69%. The entity's headquarters is at No. 23, Portului Street, Galati County. The core business is growing fishes (cod CAEN 0322).

SUPERQUATTRO Grup SRL is a limited liability entity headquartered in Galati, str. Portului 20. CNFR Navrom owns 69.3% of Superquattro.

CARGO TRANS VAGON SA is a stockholding entity, established in 2004, where TTS SA owns directly 40.74% (2015: 26 %), through TTS Operator 2.93% (2015: 4%) from the share capital. The change in ownership is due to purchase contract concluded in 24 October 2016. The entity's headquarters is at no. 34, Vaselor Street, Bucharest. The core business is represented by the railway transportation of goods (code CAEN 4920).

TRANSTERMINAL-S SRL is a limited liability entity, established in 2006, where TTS SA owns 25.5%. The entity's headquarter is at no. 14/3, Gradina Botanica Street, Chisinau. The core business is represented by the railway transportation of goods.

TTS (Transport Trade Services) S.A.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(all amounts are expressed in RON, unless otherwise specified)

1. GENERAL INFORMATION (continue)

NAVROM PORT SERVICE SA is a stockholding entity, established in 1999, where TTS SA owns indirectly through CNFR Navrom SA 45,87%. The entity's headquarter is at no 39, Portului Street, Galati County. The core business is represented by the goods transportation on rivers (code CAEN 5040).

PLIMSOLL KFT is a limited liability entity, established in April 1992, where TTS SA owns directly 51%. TTS SA has acquired in 20 June 2016 the 51% stake. The entity's headquarter is at no 1139, Frangeban street, Budapest, Hungary. The core business is represented by railway and maritime shipping.

FLUVIUS KFT is a limited liability entity where TTS SA indirectly owns 51% through PLIMSOLL KFT. The entity's headquarter is at no 1139, Frangeban street, Budapest, Hungary. The core business is represented by railway and maritime shipping.

MANAGEMENT NFR SA is a stockholding entity, established in 2003, where TTS SA owns 20%. The entity's core business is at no 34, Vaselor Street, Bucharest. The core business is represented by the business and management consultancy services (code CAEN 7022).

PR SHIPPING SRL is a limited entity established in 2008, where TTS SA owns 10% from the share capital. The entity's headquarters is in Incinta Port Constanta, Digul de Nord, Constanta County. The core business is represented by the complementary activities related to transportation of goods.

CARGO TRANS VAGON BULGARIA JSA is an entity established in 2006, where TTS SA owns 10% from the total share capital. The entity's headquarters is in Bulgaria, and the core business is related to the railway transportation of goods.

GIF LEASING IFN is a limited liability entity, established in 2004, where TTS SA owns 7.7% from the share capital. The entity's headquarters is at no. 24, Negustori Street, Bucharest. The core business is related to leasing (code CAEN 6491).

TTS (Transport Trade Services) S.A.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(all amounts are expressed in RON, unless otherwise specified)

1. GENERAL INFORMATION (continued)

Name of investment	Core Business	Place of establishment and operations	December 31, 2016		December 31, 2015		Status
			%	Lei	%	Lei	
CNFR Navrom S.A.	Transportation of goods on rivers	Galati, Romania	91.79%	39,073,677	91.79%	39,073,677	Subsidiary
Canopus Star S.R.L.	Handling of goods	Constanta, Romania	51.00%	45,079,480	51.00%	45,079,480	Subsidiary
Trans Europa Port S.A.	Handling of goods	Galati, Romania	99.92%	17,343,869	91.26%	13,544,129	Subsidiary
TTS Operator S.R.L.	Handling of goods	Constanta, Romania	90.00%	1,706,207	90.00%	1,706,207	Subsidiary
Cargorom Trans BVBA	Complementary transportation services of goods	Antwerpen, Belgium	51.00%	911,677	51.00%	911,677	Subsidiary
Navrom Bac S.R.L.	Passengers transportation on rivers	Galati, Romania	89.38%	1,118,660	89.38%	1,118,660	Subsidiary
Navrom - Centru de Afaceri S.A.	Rental and sub-rental of goods owned or rented	Galati, Romania	87.69%	1,945,709	87.69%	1,945,709	Subsidiary
Navrom Shipyard S.R.L.	Repair and maintenance of ships and boats	Galati, Romania	91.55%	4,750,000	91.55%	2,500,000	Subsidiary
Hotel Mercur	Hotels and similar activities	Galati, Romania	91.79%	17,855,000	91.79%	17,855,000	Subsidiary
Rom Pesc Impex S.R.L.	Growing of fish	Galati, Romania	87.69%	1,240,200	87.69%	1,240,200	Subsidiary
Superquattro Group SRL		Galati, Romania	69.30%	173,080	69.30%	173,080	Subsidiary

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1. GENERAL INFORMATION (continued)

Name of investment	Core business	Place of establishment and operations	December 31,		December 31,		Status
			2016	%	2016	%	
			2016	2015	2016	2015	
			Lei	Lei	Lei	Lei	
Sim Tur S.R.L.	Hotels and similar services	Buzau, Romania	3,852,790	91.79%	3,852,790	3,852,790	Subsidiary
TTS (Transport Trade Services) Gmbh	Complementary activities related to transport	Austria	116,477	75.00%	116,477	116,477	Subsidiary
Agrimol Trade SRL	Trading various products	Bucuresti, Romania	3,552,500	99.9%	3,552,500	706,000	Subsidiary
Cernavoda Shipyard SRL	Repair and maintenance of ships and boats	Cernavoda, Romania	5,500,000	99.00%	5,500,000	4,500,000	Subsidiary
Bunker Trade Logistics	Complementary transportation services	Constanta, Romania	200,000	100.000%	200,000	200,000	Subsidiary
Cargo Trans Vagon S.A.	Railway transportation of goods	Bucuresti, Romania	19,997,800	29.6%	19,997,800	7,956,000	Associate
Transferterminal-S S.R.L.	Railway transportation of goods	Chisinau, Rep. Moldova	147,339	25.50%	147,339	147,339	Associate

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1. GENERAL INFORMATION (continued)

Name of investment	Core business	Place of establishment and operations	December 31,		December 31, 2015	December 31, 2016	Status
			2016	2015			
			%	%	lei	lei	
Danu Transport GMBH	Transportation of goods on rivers	Vienna, Austria	0,00%	15,00%	843,720	0,00	Associate
Danu Transport GMBH	Transportation of goods on rivers	Vienna, Austria	0,00%	25,00%	1,866,595	0,00	Associate
Navrom Port Service S.A.	Transportation of goods on rivers	Galati, Romania	45,87%	45,87%	878,700	878,700	Associate
Management NFR S.A.	Business and consultancy services	Bucuresti, Romania	20,00%	20,00%	18,000	18,000	Associate
Panta Rheil Slovakia sro	Complementary transportation services	Bratislava, Slovakia	0,00%	10,00%	5,195	0,00	Investment
PR Shipping S.R.L.	Complementary transportation services	Constanta, Romania	10,00%	10,00%	700	700	Investment
Cargo Trans Vagon Bulgaria JSA	Railway transportation of goods	Bulgaria	10,00%	10,00%	54,230	54,230	Investment
GIF Leasing IFN	Financial lease	Bucuresti, Romania	7,701%	7,701%	129,000	0,00	Investment
For Serv Drum	Construction	Arges, Romania	30,00%	30,00%	559,493	559,493	Investment

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1. GENERAL INFORMATION (continued)

Consolidation perimeter

TTS SA prepares consolidated financial statements for the year ended December 31, 2016. Consolidated financial statements include the financial statements of companies TTS SA („the Company”) and its subsidiaries CNFR Navrom S.A., Canopus Star S.R.L., Trans Europa Port S.A., TTS Operator S.R.L., Navrom Bac S.R.L. Navrom - Centru de Afaceri S.A., Navrom Shipyard S.R.L., Rom Pesc Impex S.R.L., Agrimol Trade S.R.L., Cernavoda Shipyard S.R.L., Bunker Trade Logistic S.R.L., Sim Tur S.R.L., TTS (Transport Trade Services)GMBH, Hotel Mercur,, Superquattro Group SRL, Plimsoll Kft and Fluvius Kftknown as “the Group”. The last two entities are consolidated only starting June 2016 when the ownership was obtained.

Subsidiaries are consolidated from the date that the Company prepared for the first time the opening consolidated balance sheet – January 1, 2011 in accordance with the requirements of International Financial Reporting Statements as adopted by EU.

2. APPLICATION OF THE NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

Initial application of new amendments to the existing standards and interpretation effective for the current reporting period

The following amendments to the existing standards and new interpretation issued by the International Accounting Standards Board (IASB) and adopted by the EU are effective for the current reporting period:

- **Amendments to IFRS 10 “Consolidated Financial Statements”, IFRS 12 “Disclosure of Interests in Other Entities” and IAS 28 “Investments in Associates and Joint Ventures”** - Investment Entities: Applying the Consolidation Exception - adopted by the EU on 22 September 2016 (effective for annual periods beginning on or after 1 January 2016),
- **Amendments to IFRS 11 “Joint Arrangements”** – Accounting for Acquisitions of Interests in Joint Operations - adopted by the EU on 24 November 2015 (effective for annual periods beginning on or after 1 January 2016),
- **Amendments to IAS 1 “Presentation of Financial Statements”** - Disclosure Initiative - adopted by the EU on 18 December 2015 (effective for annual periods beginning on or after 1 January 2016),
- **Amendments to IAS 16 “Property, Plant and Equipment” and IAS 38 “Intangible Assets”** - Clarification of Acceptable Methods of Depreciation and Amortisation - adopted by the EU on 2 December 2015 (effective for annual periods beginning on or after 1 January 2016),
- **Amendments to IAS 16 “Property, Plant and Equipment” and IAS 41 “Agriculture”** - Bearer Plants - adopted by the EU on 23 November 2015 (effective for annual periods beginning on or after 1 January 2016),
- **Amendments to IAS 19 “Employee Benefits”** - Defined Benefit Plans: Employee Contributions - adopted by the EU on 17 December 2014 (effective for annual periods beginning on or after 1 February 2015),

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2. APPLICATION OF THE NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (continue)

Initial application of new amendments to the existing standards and interpretation effective for the current reporting period (continue)

- **Amendments to IAS 27 "Separate Financial Statements"** - Equity Method in Separate Financial Statements - adopted by the EU on 18 December 2015 (effective for annual periods beginning on or after 1 January 2016),
- **Amendments to various standards "Improvements to IFRSs (cycle 2010-2012)"** resulting from the annual improvement project of IFRS (IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24 and IAS 38) primarily with a view to removing inconsistencies and clarifying wording - adopted by the EU on 17 December 2014 (amendments are to be applied for annual periods beginning on or after 1 February 2015),
- **Amendments to various standards "Improvements to IFRSs (cycle 2012-2014)"** resulting from the annual improvement project of IFRS (IFRS 5, IFRS 7, IAS 19 and IAS 34) primarily with a view to removing inconsistencies and clarifying wording - adopted by the EU on 15 December 2015 (amendments are to be applied for annual periods beginning on or after 1 January 2016).

Amendments to the existing Standards issued by IASB and adopted by the EU but not yet effective

At the date of authorisation of these financial statements the following amendments to the existing standards issued by IASB and adopted by the EU were in issue but not yet effective:

- **IFRS 9 "Financial Instruments"** - adopted by the EU on 22 November 2016 (effective for annual periods beginning on or after 1 January 2018),
- **IFRS 15 "Revenue from Contracts with Customers"** and amendments to IFRS 15 "Effective date of IFRS 15" - adopted by the EU on 22 September 2016 (effective for annual periods beginning on or after 1 January 2018).

New Standards and amendments to the existing Standards issued by IASB but not yet adopted by the EU

At present, IFRS as adopted by the EU do not significantly differ from regulations adopted by the International Accounting Standards Board (IASB) except from the following new standards and amendments to the existing standards, which were not endorsed for use in EU as at July 31, 2017 (the effective dates stated below is for IFRS in full):

- **IFRS 14 "Regulatory Deferral Accounts"** (effective for annual periods beginning on or after 1 January 2016) - the European Commission has decided not to launch the endorsement process of this interim standard and to wait for the final standard,
- **IFRS 14 "Regulatory Deferral Accounts"** (effective for annual periods beginning on or after 1 January 2016) - the European Commission has decided not to launch the endorsement process of this interim standard and to wait for the final standard,
- **IFRS 16 "Leases"** (effective for annual periods beginning on or after 1 January 2019),

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2. APPLICATION OF THE NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (continue)

New Standards and amendments to the existing Standards issued by IASB but not yet adopted by the EU (continue)

- **Amendments to IFRS 2 "Share-based Payment"** - Classification and Measurement of Share-based Payment Transactions (effective for annual periods beginning on or after 1 January 2018),
- **Amendments to IFRS 4 "Insurance Contracts"** - Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (effective for annual periods beginning on or after 1 January 2018 or when IFRS 9 "Financial Instruments" is applied first time),
- **Amendments to IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures"** - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture and further amendments (effective date deferred indefinitely until the research project on the equity method has been concluded),
- **Amendments to IFRS 15 "Revenue from Contracts with Customers"** - Clarifications to IFRS 15 Revenue from Contracts with Customers (effective for annual periods beginning on or after 1 January 2018),
- **Amendments to IAS 7 "Statement of Cash Flows"** - Disclosure Initiative (effective for annual periods beginning on or after 1 January 2017),
- **Amendments to IAS 12 "Income Taxes"** - Recognition of Deferred Tax Assets for Unrealised Losses (effective for annual periods beginning on or after 1 January 2017),
- **Amendments to IAS 40 "Investment Property"** - Transfers of Investment Property (effective for annual periods beginning on or after 1 January 2018),
- **Amendments to various standards "Improvements to IFRSs (cycle 2014-2016)"** resulting from the annual improvement project of IFRS (IFRS 1, IFRS 12 and IAS 28) primarily with a view to removing inconsistencies and clarifying wording (amendments to IFRS 12 are to be applied for annual periods beginning on or after 1 January 2017 and amendments to IFRS 1 and IAS 28 are to be applied for annual periods beginning on or after 1 January 2018),
- **IFRIC 22 "Foreign Currency Transactions and Advance Consideration"** (effective for annual periods beginning on or after 1 January 2018).

The Group anticipates that the adoption of these new standards and amendments to the existing standards will have no material impact on the financial statements of the Group in the period of initial application.

Hedge accounting for a portfolio of financial assets and liabilities, whose principles have not been adopted by the EU remains unregulated.

According to the Group's estimates, the application of hedge accounting to a portfolio of financial assets or liabilities pursuant to **IAS 39: "Financial Instruments: Recognition and Measurement"** would not significantly impact the financial statements, if applied as at the balance sheet date.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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3. SIGNIFICANT ACCOUNTING POLICIES

3.1 Statement of compliance

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by EU.

3.2 Basis of preparation

The consolidated financial statements have been prepared at historic cost, except for certain financial instruments that are stated at restated value or fair value as described in the accounting policies. The historic cost is generally based on the fair value of the provision supplied in exchange of the assets.

The financial statements have been prepared on a going concern basis, according to the historic cost convention adjusted for the effects of hyperinflation by December 31, 2003 for the share capital, reserves and investments.

The financial statements are prepared on the basis of the statutory accounting records in accordance with the Romanian accounting principles, adjusted for compliance to IFRS, as adopted by EU.

The main accounting policies are presented below.

Functional and presentation currency

These financial statements are presented in lei, which is the functional currency of the Company. The financial statements are presented in lei, rounded, without decimals. The transactions realised in a foreign currency are stated in RON (lei) by applying the exchange rate at the transaction date. The monetary assets and debts stated in a foreign currency, at the year end, are stated in RON (lei) using the exchange rate at the respective date. Gains and losses from the exchange rate differences, realised or not realised, are stated in the profit and loss account for the respective year.

The exchange rates as at December 31, 2016 and as at December 31, 2015 are:

	<u>December 31, 2016</u>	<u>December 31, 2015</u>
EUR	4.5411	4.5245
USD	4.3033	4.1477

Non-monetary assets and liabilities measured in terms of fair value in a foreign currency are translated in functional currency at closing rate of the date when the the fair value has been determined.

Non-monetary items that are measured in terms of historical cost in a foreign currency shall be translated using the exchange rate at the date of the transaction.

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern financial and operating policies of an entity so as to obtain benefits from its activities. Please see also Note 1.

Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interest even if this results in the non-controlling interest having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

3.3.1 Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in existing subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to the owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognized in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of the retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and non-controlling interests.

When assets of the subsidiary are carried at revalued amounts or fair values and the related cumulative gain or loss has been recognized in other comprehensive and accumulated in equity are accounted for as if the Group had directly disposed of the relevant assets.

The fair value of any investment retained in the former subsidiary when the control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39 or, when applicable, the cost on initial recognition of an investment in an associate or a jointly controlled entity.

3.4 Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash generating units (or groups of cash generating units) that is expected to benefit from the synergies of the combination.

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.4 Goodwill (continued)

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognized directly in the profit or loss. An impairment loss recognized for goodwill is not reversed in subsequent periods.

The Group's policy for goodwill arising on the acquisition of an associate is described in note 3.5 below.

3.5 Investments in associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for in accordance with IFRS 5. Under the equity method, an investment in an associate is initially recognized in the consolidated statement of financial position at cost and adjusted thereafter to recognize the Group's share of the profit or loss and other comprehensive income of the associate.

Upon disposal of an associate that results in the Group losing significant influence over that associate, any retained investment is measured at fair value at that date and the fair value is regarded as its fair value on initial recognition as a financial asset in accordance with IAS 39. The difference between the previous carrying amount of the associate attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate.

3.6 Non-current assets held for sale

Non-current assets and disposals groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the non-current asset is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in its former subsidiary after the sale.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.7 Revenue recognition

Income is measured at the fair value of the consideration received or receivable. Revenue is reduced by estimated customer returns, commercial rebates and other similar allowances.

3.7.1. Sale of goods

Revenue from sales of goods is recognized when the goods are delivered and titles have passed, at which time all the following conditions are met:

- The Group has transferred to the buyer all the significant risks and rewards of ownership over the goods;
- The Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- The amount of revenue can be measured in a reliable manner;
- It is probable that the economic benefits will flow directly to the Group, and
- the costs incurred or to be incurred in respect to the transaction can be measured in a reliable manner.

3.7.2. Income from rendering transport services

A. Transport income shall be registered as the transport is confirmed by the beneficiary based on the following documents:

- freightdocuments (bill of lading)in case of AMG;
- documents attesting to the unloading of the commodities (tally upon unloading / Out Turn Report – OTR / draft unloading survey).

Special recognition criteria

Income from **services in progress** shall be recognised depending on:

- the ships' location at the end of each month in the electronic ship monitoring system in Navrom's Dispatch Office;
- the virtual route of the convoy (quantity x virtual distance) corroborated with the virtual trade of the order;

B. Income from other services (repairs, etc.) shall be recorded as they are rendered, correlated with the stage of execution of the works.

The stage of execution of the work shall be determined based on the statements of works accompanying the invoices, the minutes or other documents attesting to the stage of execution and acceptance of the services rendered.

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.7 Revenue recognition (continued)

3.7.2. Income from rendering transport services (continued)

Special recognition criteria

The production cost of goods and services in progress shall be presented at the end of the period (monthly) in account 711 – Variation in inventory.

At the beginning of the following period, production in progress is restated at the costs registered cumulatively from the beginning of the period.

3.7.3. Dividend and interest income

Dividend income from investments is recognized when the shareholders' right to receive payment has been established.

Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a timely basis by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the asset's net carrying amount on initial recognition.

3.8 Construction contracts

Revenue and costs for construction contracts in Navrom Shipyard are recognized by reference to the stage of completion of the contract activity at the end of the reporting period, measured based on proportion of costs incurred for work performed to date relative to the estimated total contract costs.

3.9 Foreign currencies

Transactions in foreign currencies are translated to the respective functional currency of individual Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date.

The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortized cost in foreign currency translated at the exchange rate at the end of the period. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognized in profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.10 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of assets, which are assets that necessarily take a substantial period of time in order to be used or for sale are added to the cost of those assets, until such time as the respective assets are ready to be used for their purpose or for sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

All other borrowing costs are recognized in the income statement in the period in which they are incurred.

3.11 Retirement benefit costs

The Group, in the normal course of business, makes payments to the Romanian State on behalf of its employees. All employees of the Group are members of the Romanian State pension plan. The Group does not operate any other pension scheme or postretirement benefit plan and, consequently, has no obligation in respect of pensions. In addition, the Group is not obliged to provide further benefits to its employees.

3.12 Taxation

The income tax expense represents the sum of the tax currently payable and deferred tax.

3.12.1 Current tax

The tax currently payable is based on the taxable profit of the year. Taxable profit differs from the 'profit before tax' as reported in the consolidated statement of profit and loss, as it excludes the elements of income and expenses that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have enacted or substantively enacted by the end of the reporting period.

3.12.2 Deferred tax

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the Romanian laws that have been enacted or substantively enacted by the reporting date (2016 and 2015: 16%).

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.12 Taxation (continued)

3.12.2 Deferred tax (continued)

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Current tax and deferred tax

Current and deferred tax are recognized in profit and loss, except when they relate to items that are recognized in other comprehensive income, or directly in equity in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity respectively.

The income tax for the period ending December 31, 2016 was 16% (December 31, 2015: 16%), in accordance with the Romanian legislation.

3.13 Property, plant and equipment

Land and buildings held to be used in the production or supply of goods or services or for administrative purposes are stated in the consolidated statement of financial statements at their cost less accumulated depreciation and accumulated impairment losses.

The depreciation of the buildings is recorded in the statement of comprehensive income through the profit and loss of the year.

Properties in the course of construction for production, supply or administrative purposes are carried out at cost, less any recognized impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalized in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. The depreciation of these assets, on the same basis as other tangible assets, commences when the assets are ready to be used. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Fixtures and equipment including ships are stated at cost less accumulated depreciation and accumulated impairment losses.

As at December 31, 2012, for the scope of preparing consolidated financial statements, the Group has applied one of the exemptions included in IFRS 1 which relieves first time adopters from the requirements to recreate cost information for the property, plant and equipment – *"IFRS1 - D8 allows event - driven fair value to be taken as the deemed cost as the date of that measurement"* In more detail the point refers allows a first time adopter to use and event driven fair value as deemed cost at the measurement date, for measurements events that occurred after the date of transition to IFRS and to specify accounting in such circumstances.

For the Group the measurement date was after the date of transition to IFRs, respective December 31, 2012, when a fair value exercise was considered for all fixed assets which has became the deemed cost.

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.13 Property, plant and equipment (continued)

Depreciation is recognized so as to write off the cost or valuation of assets less their residual values over their useful lives, using the straight line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

The average useful life of each category of property, plant and equipment is presented as follows:

	Years
Buildings and special constructions	8 – 60
Technical installations and equipment	3 – 30
Vehicles	4 – 6

3.14 Intangible assets

Intangible assets purchased separately

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated depreciation amortization and accumulated impairment losses. Amortization is calculated on a straight line basis throughout the useful life. The estimated useful life and the amortization method are revised at the end of each reporting period, effecting changes in the future accounting estimates.

The following useful lives are used in the calculation of amortization:

	Years
Concessions & patents	1 – 5

3.15 Impairment of tangible and intangible assets other than goodwill

Intangible assets with an indefinite useful life and the intangible assets that are not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

At the end of each reporting period, the Group reviews the carrying amount of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of an individual asset of the cash generating unit into which the asset belongs.

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.15 Impairment of tangible and intangible assets other than goodwill (continued)

Where there can be identified a consistent allocation basis, the Group's assets are also allocated to individual cash generating units or to the smallest group of cash generating units for which a consistent allocation basis can be identified.

Intangible assets with an indefinite useful life and the intangible assets that are not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

The recoverable amount is the higher of the fair value less the costs of sale and the value-in-use. In assessing the value-in-use, the estimated future cash flows are discounted at the current value using a discount rate before taxes, which reflects the current market estimates of the time-value of money and the risks specific to the asset, for which the future cash flows have not been adjusted.

When an impairment loss is subsequently reversed, the carrying amount of the asset (cash generating unit) is increased to the revised estimate of its recoverable value, but so that the increased carrying amount does not exceed the carrying amount that would have been determined if no impairment loss had been recognized for the respective asset (cash generating unit) in the prior years. A reversal of the impairment loss is immediately recognized in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

3.16 Inventories

Inventories are stated at the lower of cost and net realizable value. Costs, including a part corresponding to the fixed and variable expenses are allocated to the inventories held through the method that is most adequate to the respective class of inventories, the weighted average basis. Net realizable value represents the sale price estimated for inventories less all the costs estimated for completion and the costs pertaining to the sale.

3.17 Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation and when a reliable estimate can be made of the respective obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, considering the risks and uncertainties surrounding the obligation. When a provision is measured using the estimated cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

3.18 Warranties

Provisions for the expected cost of warranty obligations under local sale of goods legislation are recognized at the date of sale of the relevant products, at the director's best estimate required to settle Group's obligation.

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.19 Financial instruments

i Non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity and debt securities, trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

Non-derivative financial instruments are recognized initially at fair value plus, for instruments not at fair value through profit and loss, any directly attributable transaction costs, except as described below. Subsequent to initial recognition non-derivative financial instruments are measured as described below.

A financial instrument is recognized if the Group becomes a party to the contractual provisions of the instrument. Financial assets and liabilities are derecognized if the Group's contractual rights to the cash flows from the financial assets and liabilities expire or if the Group transfers the financial asset to another party without retaining control or substantially all risks and rewards of the assets. Regular way purchases and sales of financial assets and liabilities are accounted for at trade date, i.e., the date that the Group commits itself to purchase or sell the asset. Financial liabilities are derecognized if the Group's obligations specified in the contract expire or are discharged or cancelled.

Cash and cash equivalents comprise cash balances and call deposits with original maturities of three months or less.

Subsequent measurement of equity investments for which no quoted price exists on an active market is at cost. If the recoverable amount falls below the carrying amount, an impairment loss is recognized.

Other non-derivative financial instruments are measured at amortised cost using the effective interest method, less any impairment losses.

Financial assets at fair value through profit and loss

A financial asset is classified at fair value through profit or loss if it is classified as held for trading or is designated as such upon initial recognition. Financial assets are designated at fair value through profit or loss if the Group manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Group's documented risk management or investment strategy. Attributable transaction costs are recognised in profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value, and changes therein are recognised in profit or loss.

ii Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

Impairment of financial assets

Financial assets, other than those at fair value through profit and loss account are assessed for indicators of impairment at the end of each reporting period.

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.19 Financial instruments (continued)

ii Loans and receivables (continued)

Impairment of financial assets (continued)

Financial assets are considered to be impaired when there is objective evidence that one or several events occurred after the initial recognition have had an impact on the future cash flow pertaining to the investment.

Certain categories of financial assets, such as trade receivables, assets are assessed for impairment on a collective basis even if they are assessed not to be impaired individually. Objective evidence of impairment for a portfolio of receivables could include the past experience of the Group in respect of the collection of payments, an increase of the payments delayed beyond the credit term, as well as visible changes in the national and local economic conditions that are correlated with the payment incidents regarding the receivables.

The carrying amount of the financial asset is reduced by the impairment loss, directly for all the financial assets, except for the trade receivables, a case where the carrying amount is reduced by using a provision account. If a receivable is considered not recoverable, it is written off and deducted from the provision. Subsequent recoveries of the amounts previously written off are credited to the provision account. The changes in the carrying amount of the provision account are recognized in the profit or loss.

iii Derivative financial instruments

The Group enters into derivative financial instruments to manage its exposure to foreign exchange rate risks.

Derivatives are initially recognized at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

Derecognition of the assets and liabilities

The Group derecognizes the financial asset only when the contractual rights to the cash flows expire, or transfer the financial asset and, substantially, all the risks and rewards pertaining to the asset to another entity.

The Group derecognizes the financial liabilities if and only if all its obligations have been paid, cancelled or have expired.

Use of estimates

The preparation of the financial statements requires making estimates and assumptions by the management, which affect the reported amounts of the contingent assets and liabilities as at the balance sheet date, as well as the reported amounts of the income and expenses during the reporting period. Actual results may differ from those estimates. The estimates and assumptions on which the financial statements are based are revised on an ongoing basis. The reviews of the accounting estimates are recognized in the period when the estimate is revised, if such review affects only the respective period, or in the future periods, if the review affects both the current and the future periods.

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4. REVENUE

The following is an analysis of the Group's revenue for the year from continuing operations:

	<u>Year ended December 31, 2016</u>	<u>Year ended December 31, 2015</u>
Revenue from sales of merchandises	24,617,319	25,376,552
Revenue from sales of raw materials	1,109,682	21,387
Revenues from sales of finished products	-	-
Revenue from rendering of services	372,680,788	389,076,952
Revenue from other activities	<u>7,277,686</u>	<u>7,977,229</u>
Total	<u>405,685,476</u>	<u>422,452,120</u>

5. OTHER EXPENSES

	<u>Year ended December 31, 2016</u>	<u>Year ended December 31, 2015</u>
Electricity expenses	3,753,187	3,820,302
Repairs	6,849,000	7,111,303
Rent expenses	7,343,808	5,617,356
Insurance expenses	5,557,163	5,252,235
Training	200,508	3,648
Transportation services	944,402	1,287,981
Expenses with commissions	1,053,292	926,928
Advertising and protocol expenses	1,296,063	1,238,741
Travel expense	551,759	579,343
Communication expenses	1,316,334	1,223,916
Tax expenses	2,595,694	2,375,994
Expenses with packages	14,569	5,650
Total	<u>31,475,779</u>	<u>29,443,397</u>

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6. INVESTMENT EXPENSES / INCOME

	<u>Year ended December 31, 2016</u>	<u>Year ended December 31, 2015</u>
Income from financial investments	7,951,886	-
Expenses from financial investments	(4,493,395)	(1,670,161)
Income from financial assets	45,797	146,446
Other financial income	1,862,948	856,676
Other financial expenses	(539,500)	(154,329)
Income / (Expense) from financial investments	<u>4,827,736</u>	<u>(821,368)</u>

In 2016, income from financial investments and expense from financial investments mainly includes the result from sale of Navrom Delta and Danu Transport.

7. OTHER GAINS AND LOSSES

	<u>Year ended December 31, 2016</u>	<u>Year ended December 31, 2015</u>
Other income	11,289,197	11,509,228
Net expenses from foreign exchange differences	1,077,619	714,188
Net income / (expenses) from adjustments for current assets	(6,129,357)	(17,382,107)
Net income / (expenses) from adjustments for non-current assets	(32,388)	-
Net income / (expenses) from provisions	(795,912)	-
Net income / (expense) from services in progress	2,821,722	(3,341,191)
Income from non-current assets in progress	748,032	2,840,008
Write off doubtful receivables	(1,137,022)	(902,716)
Other administrative expenses	(5,195,393)	(4,291,784)
Expenses related to fixed assets disposals	(4,539,035)	(8,459,814)
Total	<u>(1,892,537)</u>	<u>(19,314,190)</u>

In 2015, in Other income are included the sales of one Siemens engine for a price of RON 6,623,270 and also train cars sold but also one correction for local taxes related to Canopus in amount of RON 1,665,354.

In 2016, in Other income are included mainly revenues from sale of fixed assets (RON 7,793,871) recorded mainly by CNFR Navrom (sales of ships that amount RON 5,194,201) and Navrom BAC (RON 1,691,333).

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8. SUBCONTRACTORS EXPENSES

Subcontractors expenses include expenses with third parties for the rendering of the transportation services.

9. NET FINANCE COST

An analysis of the Group's revenue from investments for the year is presented below:

	<u>Year ended December 31, 2016</u>	<u>Year ended December 31, 2015</u>
Financial income	390,790	278,754
Bank fees and commissions	(592,227)	(604,760)
Interests on borrowings	<u>(1,855,752)</u>	<u>(2,492,183)</u>
Total	<u>(2,057,189)</u>	<u>(2,818,188)</u>

The financial incomes relate to the interest gained by the Group for overdrafts and short term deposits.

The interests on borrowings relate mainly to the loans received from IFC by TTS SA and CNFR Navrom SA, ING Bank to Trans Europa Port and Unicredit Bank to Canopus, Unicredit to Fluvius, but also also to the overdraft received from Unicredit Bank by Navrom.

10. INCOME TAX

	<u>Year ended December 31, 2016</u>	<u>Year ended December 31, 2015</u>
Current tax expense (note 10.2)	<u>5,149,737</u>	<u>6,491,893</u>
Expenses / (Income) with deferred tax recognized in the current year (note 10.1)	<u>(238,322)</u>	<u>(2,984,529)</u>
Total	<u>4,911,415</u>	<u>3,507,364</u>

The tax rate applied for the reconciliation above for the years 2016 and 2015 is 16% in Romania.

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10. INCOME TAX (continued)

10.1 Details regarding deferred tax

	<u>Year ended December 31, 2016</u>	<u>Year ended December 31, 2015</u>
Balance as at January 1 deferred tax liabilities	496,193	3,480,722
Expense / (revenue) in the period		
- generated by the revaluation reserves	(1,087,671)	(1,208,103)
- borrowings and others	(79,148)	(1,776,426)
Total impact – Profit and Loss account	(1,166,818)	(2,984,529)
Total impact – Plimsol & Fluvius aquisition	651,273	-
Balance as at December, 31 deferred tax liabilities	(19,352)	496,193

10.2 Details regarding income tax

	<u>Year ended December 31, 2016</u>	<u>Year ended December 31, 2015</u>
Profit before tax	23,181,649	14,080,000
Income tax calculated at 16%	3,709,064	2,252,800
Effects of the non-taxable expenses	2,114,254	4,074,957
Effects of income that are exempt from taxation	(3,839,340)	(1,043,967)
Effects of other elements similar to income	3,165,759	1,208,103
Net effects of non-taxable expenses, respective income elements that are exempt from taxation in relation with subsidiaries	-	-
Current tax in respect with the current year before fiscal losses	-	-
Fiscal credit	-	-
Current tax in respect with the current year	5,149,737	6,491,893

11. SEGMENT INFORMATION

The Group's core business is transportation of goods on the Danube and other complementary services related to the transportation of goods such as manipulation of goods, loading and unloading, storage.

Information reported to the chief operating decision maker for the purposes of resource allocation and assesment of segment performance focuses on the type of activities- intermediation, river transport, operations services and other services (repairs of the transportation fleet, hotel business, distribution of different goods (timber, oil, lubricants).

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11. SEGMENT INFORMATION (continued)

Segment revenue and results

The following is an analysis of the Group's revenue and results from continuing operations by reportable segment:

2016	Total	Forwarding	River transport	Port operations	Others
Revenue (external customers)	629,765,220	282,921,872	229,825,437	63,562,932	53,454,979
Intersegment revenue, from which:	(224,079,743)	(209,565,069)	(7,919,114)	(5,948,992)	(646,568)
from Forwarding segment	(5,827,066)	-	(1,416,985)	(4,392,000)	(18,081)
from River transport segment	(174,242,421)	(172,428,898)	-	(1,466,120)	(347,403)
from port operations segment	(37,691,754)	(37,050,270)	(360,400)	-	(281,084)
from Others segment	(6,318,502)	(85,901)	(6,141,729)	(90,872)	-
Revenue	405,685,477	73,356,803	221,906,323	57,613,940	52,808,410
Merchandise sold	(19,530,587)	-	(141,482)	-	(19,389,105)
Raw materials and consumables	(66,025,754)	(190,364)	(50,226,994)	(5,665,019)	(9,943,377)
Depreciation and amortization	(58,334,399)	(2,962,461)	(39,946,382)	(11,620,876)	(3,804,680)
Subcontractors expenses	(135,022,649)	(41,412,291)	(76,411,024)	(9,659,477)	(7,539,856)
Payroll expenses	(73,007,238)	(8,035,544)	(36,298,657)	(13,427,767)	(15,245,270)
Electricity, heating and water	(3,753,188)	(139,235)	(591,077)	(1,625,775)	(1,397,101)
Maintenance and repair expenses	(6,848,996)	(144,735)	(4,358,857)	(2,132,574)	(212,830)
Other administrative expenses	(20,859,027)	(4,570,596)	(9,337,866)	(3,635,378)	(3,315,186)
Other gains	28,536,179	4,418,586	14,797,109	1,869,799	7,450,685
Other losses	(30,428,717)	(9,172,589)	(12,471,494)	(2,099,064)	(6,685,570)
	20,411,102	11,147,574	6,919,600	9,617,808	(7,273,880)

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11. SEGMENT INFORMATION (continued)

Segment revenue and results (continued)

	Total
2016	
Investment expenses	4,827,736
Net of finance cost/income	(2,057,189)
Profit before tax	23,181,649
Income tax expenses	(4,911,415)
Profit for the year from continuing operations	18,270,234
Other comprehensive income for the year	-
Deferred tax pertaining to comprehensive income	-
Total comprehensive income for the year	18,270,234

Profit of the year attributable to:

Attributable to:	
Equity holders of the parent	15,117,074
Non controlling interest	3,153,160

Total comprehensive income

Attributable to:	
Equity holders of the parent	15,117,074
Non controlling interest	3,153,160

The accounting policies of the reportable segments are the same as the Group's accounting policies described in note 3.

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11. SEGMENT INFORMATION (continued)

Segment revenue and results (continued)

2015	Total	Forwarding	River transport	Port operations	Others
Revenue (external customers)	678,067,405	322,000,376	254,082,218	54,643,674	47,341,137
Intersegment revenue, from which:	(255,615,285)	(227,156,668)	(9,134,575)	(5,762,722)	(13,561,320)
from Forwarding segment	(7,438,820)		(2,940,421)	(4,498,399)	-
from River transport segment	(197,933,967)	(196,461,430)		(1,264,323)	(13,364,678)
from Port operations segment	(31,327,018)	(30,467,715)	(692,491)	-	(196,643)
from Others segment	(18,915,479)	(227,522)	(5,501,663)	-	-
Revenue	422,452,120	94,843,708	244,947,643	48,880,952	33,779,817
Merchandise sold	(21,617,266)	(3,698,903)	(4,766,041)	171,896	(13,324,218)
Raw materials and consumables	(80,112,054)	(177,354)	(69,879,412)	(4,503,280)	(5,552,008)
Depreciation and amortization	(55,168,070)	(3,474,983)	(38,666,777)	(10,737,018)	(2,289,292)
Subcontractors expenses	(137,538,744)	(45,056,680)	(78,903,128)	(9,043,159)	(4,535,778)
Payroll expenses	(61,544,490)	(7,725,711)	(33,102,949)	(13,249,186)	(7,436,814)
Electricity, heating and water	(3,820,301)	(233,399)	(661,242)	(1,673,668)	(1,251,993)
Maintenance and repair expenses	(7,111,303)	214,010	(4,604,282)	(2,413,080)	(307,951)
Other administrative expenses	(18,506,144)	(2,813,707)	(9,734,257)	(3,951,942)	(2,006,237)
Other gains	27,323,072	14,609,503	7,757,608	3,338,972	1,616,988
Other losses	(46,637,262)	(20,464,756)	(17,213,931)	(1,956,835)	(7,001,740)
	17,719,557	26,021,727	(4,826,767)	4,833,823	(8,309,226)

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11. SEGMENT INFORMATION (continued)

Segment revenue and results (continued)

2015	Total
Investment expenses	(821,368)
Net of finance cost/income	(2,818,188)
Profit before tax	14,080,001
Income tax expenses	(3,507,364)
Profit for the year from continuing operations	10,572,636
Other comprehensive income for the year	-
Deferred tax pertaining to comprehensive income	-
Total comprehensive income for the year	10,572,636
Profit of the year attributable to:	
Attributable to:	
Equity holders of the parent	9,641,311
Non controlling interest	931,326
Total comprehensive income	
Attributable to:	
Equity holders of the parent	9,641,311
Non controlling interest	931,326

The accounting policies of the reportable segments are the same as the Group's accounting policies described in note 3.

2016	TOTAL	Forwarding	River transport	Port operations	Others
Total	405.685.477	73.356.803	221.906.323	57.613.940	52.808.411
Agri	148.795.773	39.440.730	64.169.210	45.185.833	-
Chemicals	37.269.866	5.096.079	25.150.675	7.023.112	-
Minerals	130.992.770	18.685.097	110.678.710	1.628.963	-
Other merchandises	14.498.046	-	14.498.046	-	-
Other services	74.129.022	10.134.897	7.409.682	3.776.032	52.808.411
2015	TOTAL	Forwarding	River transport	Port operations	Others
Total	422.452.120	94.843.708	231.791.179	48.851.122	46.966.111
Agri	141.807.328	46.550.960	59.019.388	36.236.980	-
Chemicals	34.555.164	4.001.617	24.129.355	6.424.192	-
Minerals	166.121.624	30.502.563	133.927.568	1.691.493	-
Other merchandises	13.273.386	-	13.273.386	-	-
Other services	66.694.618	13.788.568	1.441.482	4.498.457	46.966.111

Other services for the Other segment include mainly sales of goods, shipyards incomes, hydro-construction, rental and sub-rentals, bunker and aquaculture services.

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11. SEGMENT INFORMATION (continued)

Segment assets and liabilities

Segment assets	December 31, 2016
Forwarding	114,975,102
River transport	312,530,121
Port Operations	169,439,366
Others	93,729,667
Total segment assets	690,674,256
Unallocated assets	
Investment in the investee	27,155,577
Total assets	717,829,833
Segment liabilities	December 31, 2016
Forwarding	11,535,511
River transport	36,392,720
Port operations	8,875,786
Others	8,244,864
Total segment liabilities	65,048,880
Unallocated liabilities	
Borrowings LT	30,039,845
Deferred tax liabilities	(19,352)
Other non current liabilities	10,455,371
Leasing	3,956,323
Borrowings ST	29,402,522
Total liabilities	138,883,589
Segment assets 2015	December 31, 2015
Forwarding	111,873,354
River transport	312,547,101
Port operations	161,529,011
Others	89,287,117
Total segment assets	675,236,584
Unallocated assets	
Investment in the investee	16,410,370
Assets classified as held for sale	3,218,694
Total assets	694,865,647

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11. SEGMENT INFORMATION (continued)

Segment assets and liabilities (continued)

Segment liabilities	December 31, 2015
Forwarding	17,944,081
River transport	28,285,173
Port operations	3,645,292
Others	9,725,342
Total segment liabilities	59,599,887
	December 31, 2015
Unallocated liabilities	
Borrowings LT	6,110,167
Deferred tax liabilities	496,193
Other non current liabilities	2,753,235
Leasing	2,669,125
Borrowings ST	62,263,963
Total liabilities	133,892,570

For the purposes of monitoring segment performance and allocating resources between segments:

- all assets are allocated to reportable segments other than interests in associates, assets classified as held for sale and deferred tax assets
- all liabilities are allocated to reportable segments other than borrowings, other financial liabilities, leasing liabilities and deferred taxes

Other segment information

Depreciation and amortization	2016
Forwarding	2,962,461
River transport	39,946,382
Port operations	11,620,876
Others	3,804,680
	58,334,399
	2016
Additions to non-current assets net of put in functions from WIP	
Forwarding	2,420,769
River transport	48,649,864
Port operations	14,001,255
Others	2,413,301
	67,485,189

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11. SEGMENT INFORMATION (continued)

Other segment information (continued)

Depreciation and amortization	2015
Forwarding	3,474,983
River transport	38,666,777
Port operations	10,737,018
Others	2,289,292
	55,168,070

Additions to non-current assets net of put in functions from WIP	2015
Forwarding	
River transport	34,223,658
Port operations	18,082,751
Others	15,176,356
	67,482,765

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12. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings	Plant and equipment	Fixtures and furniture	Tangible assets in progress and advances for fixed assets	Assets intranzit	Total
	RON	RON	RON	RON	RON	RON	RON
COST							
Balance as at January 1, 2016	15,431,149	178,678,370	471,033,223	4,878,852	24,726,299	-	694,747,893
Increases	289,538	2,101,952	56,825,020	770,392	48,965,479	4,002,320	112,954,701
Disposals	46,980	449,300	11,061,345	461,429	47,613,301	-	59,632,355
Balance as at December 31, 2016	15,673,707	180,331,022	516,796,898	5,187,815	26,078,477	4,002,320	748,070,239
ACCUMULATED DEPRECIATIONS							
Balance as at January 1, 2016	47,895	18,838,652	141,925,141	1,331,392	-	-	162,143,080
Depreciation expense	14,634	5,896,963	51,217,956	625,855	-	-	57,755,409
Disposals	-	995,872	6,750,591	130,407	-	-	7,876,870
Provision	-	-	-	-	-	-	-
Balance as at December 31, 2016	62,529	23,739,744	186,392,507	1,826,840	-	-	212,021,619
NET BOOK VALUE							
As at December 31, 2015	15,383,254	159,839,718	329,108,082	3,547,460	24,418,576	-	532,604,812
As at December 31, 2016	15,611,178	156,591,278	330,404,392	3,360,975	26,078,477	4,002,320	536,048,620

Following the acquisition of Plimsol and Fluvius during 2016, fixed assets with a fair value of RON 88,777,260 belonging to these two companies are included in additions in the table above. These are mainly ships belonging to Fluvius for river transportation.

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12. PROPERTY, PLANT AND EQUIPMENT (continued)

	Land	Buildings	Plant and equipment	Fixtures and furniture	Tangible assets in progress and advances for fixed assets	Total
	RON	RON	RON	RON	RON	RON
COST						
Balance as at January 1, 2015	15,431,149	146,361,710	400,022,977	2,956,678	77,435,824	642,208,338
Increases	-	32,395,440	85,117,750	1,941,858	55,739,768	175,194,816
Disposals	-	(78,780)	(14,107,504)	(19,684)	(108,449,293)	(122,655,261)
Balance as at December 31, 2015	15,431,149	178,678,370	471,033,223	4,878,852	24,726,299	694,747,893
ACCUMULATED DEPRECIATIONS						
Balance as at January 1, 2015	31,929	13,455,514	98,891,996	924,894	-	113,304,333
Depreciation expense	15,965	5,397,587	48,683,241	418,154	-	54,514,946
Disposals	-	(14,448)	(5,650,096)	(11,655)	-	(5,676,199)
Provision	-	-	-	-	-	-
Balance as at December 31, 2015	47,895	18,838,652	141,925,141	1,331,392	-	162,143,080
NET BOOK VALUE						
As at December 31, 2014	15,399,219	132,906,196	301,130,981	2,031,784	77,435,824	528,904,005
As at December 31, 2015	15,383,254	159,839,718	329,108,082	3,547,460	24,418,576	532,604,812

1. Tangible assets pledged

As at December 31, 2015, the net book value of the tangible assets pledged in favor of banks in respect of the bank borrowings contracted by the Group amounts to RON 88,777,260.

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13. GOODWILL

COST	Year ended December 31, 2016	Year ended December 31, 2015
Balance at beginning of year	713,142	713,142
Combinations occurring during the year	2,230,379	-
Balance at end of year	2,943,521	713,142

As at December 31, 2015, the goodwill was recognized for 2 of the subsidiaries consolidated: Canopus Star SRL in amount of RON 364,260 and Trans Europa Port in amount of RON 348,882. During 2016, the Group invested in Plimsoll KFT, by buying 51% of its shares. Plimsoll KFT owns 100% of Fluvius KFT.

14. OTHER INTANGIBLE ASSETS

COST	Other intangible assets	Total
As at December 31, 2014	4,750,882	4,750,882
Additions	737,242	737,242
Disposals	(110,054)	(110,054)
As at December 31, 2015	5,378,070	5,378,070
Additions	2,143,789	2,143,789
Disposals	(106,895)	(106,895)
As at December 31, 2016	7,414,964	7,414,964

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14. OTHER INTANGIBLE ASSETS (continued)

	Other intangible assets	Total
ACCUMULATED DEPRECIATION		
As at December 31, 2014	1,482,280	1,482,280
Amortization for the year	653,123	653,123
Amortization pertaining to disposals	(110,054)	(110,054)
Fair value adjustment	-	-
As at December 31, 2015	2,025,350	2,025,350
Amortization for the year	578,990	578,990
Amortization pertaining to disposals	(120,234)	(120,234)
Fair value adjustment	-	-
As at December 31, 2016	2,484,106	2,484,106
Net book value as at December 31, 2015	3,352,721	3,352,721
Net book value as at December 31, 2016	4,930,858	4,930,858

Management has analyzed the impairment of the net book value of the tangible and intangible assets and decided that it is not necessary to calculate and record supplementary adjustments for their impairment, as the fair value less costs to sell exceed the carrying amounts at which they are reflected in the financial position as at December 31, 2016 and December 31, 2015.

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15. INVESTMENTS IN ASSOCIATES

Name of investment	Core business	Holding percentage 12/31/2016	Post-acquisition change in the investor's share of net assets of the investee		Carrying amount of the investment		Cost of the investment 12/31/2015	Post-acquisition change in the investor's share of net assets of the investee		Carrying amount of the investment 1/1/2015
			%	Lei	Lei	12/31/2016		Lei	Lei	
Cargorom Trans BVBA	Complementary transportation services of goods	51.00%	911,677	(614,671)	297,006	911,677	(612,058)	299,619		
Cargo Trans Vagon S.A.	Railway transportation of goods	40.74%	18,072,552	-	18,072,552	6,030,752	1,269,176	7,299,928		
Cargo Trans Vagon S.A. (investment held by TTS Operator SA)	Railway transportation of goods	2.93%	1,040,000	(86,634)	953,366	1,040,000	145,072	1,185,072		
Transterminal-S S.R.L.	Railway transportation of goods	25.5%	147,339	3,934,149	4,081,488	147,339	3,581,695	3,729,034		
Management NFR S.A.	Business and consultancy services	20%	18,000	-	18,000	18,000	-	18,000		
Danu Transport GMBH	Transportation of goods on rivers	0%	-	-	-	843,720	(793,293)	50,427		
GIF Leasing IFN	Financial lease	7.7%	-	-	-	129,000	-	129,000		
Panta Rhei Slovakia sro	Complementary transportation services	0%	-	-	-	5,195	-	5,195		
PR Shipping S.R.L.	Complementary transportation services	10%	700	-	700	700	-	700		
Cargo Trans Vagon Bulgaria JSA	Railway transportation of goods	10%	54,230	-	54,230	54,230	-	54,230		
Danu Transport GMBH	Transportation of goods on rivers	0%	-	-	-	1,866,595	(1,782,551)	84,044		
Super Quattro		0%	-	-	-	-	-	-		
Navrom Port Service S.A.	Transportation of goods on rivers	49.97%	878,700	2,085,935	2,964,635	878,700	2,068,929	2,947,629		
For Serv Drum		30%	559,493	-	559,493	559,493	-	559,493		
Other Investments			154,108	-	154,108	48,000	-	48,000		
TOTAL VALUE OF THE INVESTMENT IN THE ASSOCIATES					27,155,577			16,410,370		

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16. OTHER LONG TERM ASSETS

	Year ended December 31, 2016	Year ended December 31, 2015
	<u>RON</u>	<u>RON</u>
Commercial guarantees	2,066,984	1,370,117
Total	<u>2,066,984</u>	<u>1,370,117</u>

As at December 31, 2015 the balance of the long term assets mainly includes a receivable to be cashed from Administratia Porturilor Maritime in the following years in amount of RON 1,4 million.

17. INVENTORIES

	Year ended December 31, 2016	Year ended December 31, 2015
	<u>RON</u>	<u>RON</u>
Consumables	14,201,571	13,830,364
Small tools	1,385,853	1,233,546
Goods	3,592,773	2,027,565
Goods with third parties	300,700	370,799
Work in progress	256,214	257,333
Services in progress	5,277,389	2,496,380
Packages	15,552	15,948
Impairment of materials	(1,271,710)	(1,750,534)
Impairment for small tools	-	(71,659)
Impairment of packages	(7,117)	(6,846)
Total	<u>23,751,224</u>	<u>18,402,897</u>

The line consumables contains mainly fuel used by the ships and cranes in the transportation operations.

The work in progress line is related mainly to the construction in progress of ships from Navrom Shipyard.

The services in progress are related to services rendered by Navrom Shipyard (RON 1,642,403) to CNFR Navrom, Cernavoda Shipyard (RON 1,170,581) for Quayside Trading.

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18. TRADE AND OTHER RECEIVABLES

	Year ended December 31, 2016	Year ended December 31, 2015
	RON	RON
Trade receivables	71,754,720	80,350,971
Allowance for doubtful receivables	(25,260,737)	(22,154,765)
Advances paid to suppliers of services	-	4,960,472
Other receivables	967,681	1,125,900
	47,461,664	64,282,578

Movement in the allowance for **doubtful debts**:

	Year ended December 31, 2016	Year ended December 31, 2015
	RON	RON
Balance at the beginning of the year	22,154,765	7,618,993
Net Increase / (decrease) in allowance for the period	3,105,972	14,535,772
Balance at the end of the year	25,260,737	22,154,765

In determining the recoverability of a trade receivable, the Entity considers any change in the crediting quality of the loan up to the reporting date. The concentration of the recoverability risk of the receivable is limited due to the existence of a big number of non affiliated clients. Thus, the management considers that no supplementary impairment adjustments are necessary for trade receivables to the ones already recognized in the current financial statements.

19. OTHER CURRENT ASSETS

	Year ended December 31, 2016	Year ended December 31, 2015
	RON	RON
Amounts paid in advance	992,477	920,374
Sundry debtors	21,854,752	13,770,352
Allowance for sundry debtors	(10,947,012)	(7,380,259)
Taxes receivable from state budget	2,817,512	5,402,674
Other current assets	3,006,975	10,001,150
Total	17,724,704	22,714,291

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19. OTHER CURRENT ASSETS (continued)

In 2015, in other current assets there are loans granted to Danu Transport in amount of RON 6,615,756 and Trans Terminal in amount of RON 1,451,695 due in October 2016. The loan from Danu Transport was reimbursed on March 30, 2016.

Sundry debtors includes part of the amount due from Comcereal in amount of RON 4,910,446 of which 100% is provisioned according to management assessment. There are also recorded receivables related to sales of fixed assets as detailed in Note 7 – Other gains and losses.

In 2016, Sundry debtors mainly includes mainly receivables from sale of fixed and VAT receivable.

20. ASSETS CLASSIFIED AS HELD FOR SALE

	<u>Year ended December 31, 2016</u>	<u>Year ended December 31, 2015</u>
Investments related to Navrom Delta business	-	3,300,472
Impairment Loss	-	(81,778)
Carring amount of the net assets related to Navrom Deltabusiness	<u>-</u>	<u>3,218,694</u>

The Group sought to dispose of its transport business from Navrom Delta. The disposal is consistent with the Group's long-term policy to focus its activities on transport of goods on the Danube river and other related operations. During 2016, the investment in Navrom Delta was sold for a price of RON 2,385,000.

21. ISSUED CAPITAL

Issued capital comprises:

	<u>No. of shares</u>	<u>Share capital</u>	<u>Share Premium</u>
Balance at 31 December, 2013	<u>666,657</u>	<u>35,072,442</u>	<u>46,417,946</u>
Issue of shares	-	-	-
Balance at 31 December, 2014	<u>666,657</u>	<u>35,072,442</u>	<u>46,417,946</u>
Issue of shares	-	-	-
Balance at 31 December, 2015	<u>666,657</u>	<u>35,072,442</u>	<u>46,417,946</u>
Issue of shares	-	-	-
Balance at 31 December, 2016	<u>666,657</u>	<u>35,072,442</u>	<u>46,417,946</u>

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21. ISSUED CAPITAL (continued)

The share capital increase was done in cash. On July 18, 2012, the shareholders of the Company approved the share capital increase by issuing additional 66,657 fully paid common shares of RON 50 each nominal value to International Finance Corporation for a contribution of EUR 10,854,426 equivalent of RON 49,551,480. The transaction generated also the increase off the share premium by RON 46,218,631.

In 2016 and 2015, no additional shares were issued.

As at 31 December 2016 and 31 December 2015, the Company's shareholding structure is as follows:

Shareholding structure	No. of shares	Ratio
Mihailescu Alexandru Mircea	296,940	44.54%
Stanciu Ion	84,848	12.73%
Peter Hungerbuehler	60,606	9.09%
Stefan Viorel	60,606	9.09%
Hartan Constantin	30,303	4.54%
Stefanut Petru	18,182	2.73%
Moldoveanu Aurel Florin	6,061	0.91%
Petrea Silviu Catalin	9,061	1.36%
Stefan Jancovschi Daniel	9,061	1.36%
Stoean Antonio Gabriel	9,061	1.36%
Simion Camelia	6,061	0.91%
Alexandrescu Florin	3,070	0.46%
Cismec Aurelia Mihaela	3,070	0.46%
Miron Mihaela	3,070	0.46%
International Finance Corporation	66,657	10%
Total	666,657	100%

22. RESERVES

	Year ended December 31, 2016 RON	Year ended December 31, 2015 RON
Legal reserves	6,666,570	6,666,570
Revaluation reserves	-	-
Share premiums	46,417,946	46,417,946
Other reserves	148,864,259	148,864,259
Total	201,948,775	201,948,775

The main lines from reserves are related to the reserves obtained from the first time adoption of IFRS included in the line with "Other reserves".

The share premium was generated by the transaction with International Finance Corporation (IFC) during 2012, when the IFC acquired 10% representing 66,657 shares from the total shares of the Company. The legal reserves line contains the reserves established in accordance with Romanian regulations.

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23. NON-CONTROLLING INTEREST

	<u>Year ended December 31, 2016</u> RON	<u>Year ended December 31, 2015</u> RON
Balance at 1 January	88,055,150	106,444,735
Share of profit for the year	3,153,159	931,326
Increase/ (Decrease) of the Non-controlling interest - contribution	4,772,237	(19,320,910)
Balance at 31 December	95,980,547	88,055,150

24. INTEREST BEARING LOANS AND BORROWINGS

	<u>Year ended December 31, 2016</u> RON	<u>Year ended December 31, 2015</u> RON
Secured borrowings		
Short term borrowings	14,927,314	20,233,037
Current part of long term borrowings	14,475,208	42,030,926
Long term borrowings		
Long term borrowings	30,039,845	6,110,167
Total short and long term borrowings	59,442,367	68,374,130

Amounts due to credit institutions

On April 10, 2008, the Company obtained a credit facility in amount of EUR 10,000,000 from International Finance Corporation for the expansion of TTS SA's operations, including at Constanta Port and Galati. The loan has to be repaid in 16 consecutive equal, semi-annual installments (15-Jan-2010 till 15-Jul-2017).

The following covenants were mentioned in the contract:

1. On a consolidated basis
 - a. Current ratio over 1.1
 - b. Financial Debt to Tangible Net Worth Ratio below 1.0
 - c. Peak Debt Service Coverage Ratio over 1.3

The Company may not enter into any agreement or arrangement to lease any property or equipment (except Financial Leases) with lease payments over 500,000 USD in any financial year.

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24. INTEREST BEARING LOANS AND BORROWINGS (continued)

The Company may not share profits, enter into any management contract whereby its business should be managed by another person.

The Company may not make loans / advances to / deposits exceeding 2 million EUR.

The Company may not use the proceeds of any Disbursement in a country that is not a member of the World Bank.

The balance of the liability as at December 31, 2015 EUR 2,500,000 (RON 11,311,250) and as at December 31, 2016 is EUR 1,250,000 (RON 5,676,375).

As at December 31, 2016 the Company was in compliance with these covenants.

Also, the Company has the following loans contracted from Unicredit Tiriac Bank:

- Credit line for general needs with a total value of EUR 2,000,000 used entirely as at 31.12.2016. The maturity date is on 30.12.2020. The loan is guaranteed with immovable property located in Bucharest, Vaselor Street, no 34 and also with a movable pledge against receivables and current accounts.
- Overdraft and letter of guarantess with a total value of EUR 3,000,000 with a maturity date on 30.12.2020. This loan is not used as at 31.12.2016.
- Treasury line with a total value of 1,000,000 EUR, with a maturity date on 30.12.2020.

On August 31, 2005, CNFR Navrom SA signed an agreement with IFC for the purchase of engines for the upgrade of Navrom Galati and Drobeta currently-owned pushers. The total estimated cost of the project is EUR 14.000.000 which shall be 100% financed by IFC which is guaranteed by SC TTS SA. Interest on the loan shall accrue from day to day, be prorated on the basis of a 360-day year for the actual number of days in the relevant interest period and be payable in arrears on the Interest payments date immediately following the end of that interest period. The loan was repaid until July 15, 2015. As at December 31, 2014 the balance of the loan amounted EUR 1,571,429, the equivalent of RON 7,043,300.

Also Navrom has an overdraft from Unicredit Tiriac Bank with a balance of EUR 2,264,253 (10,282,199 RON) as at December 31, 2016. The overdraft facility has a total limit of 4,500,000 eur. The credit is guaranteed through first rank warranty over the building in Galati, Str. Portului 23.

On October 15, 2013, Canopus signed an agreement with Royal Bank of Scotland (RBS) for financing the ongoing investment of Canopus for extension of the deposit capacity of cereal terminal from Constanta harbour. Total value of the credit facility was of EUR 11,500,000, having a maturity date on August 31, 2018. The facility amount used as at December 31, 2015 was of EUR 7,906,250 (RON 35,771,828) (as at December 31, 2014 is of EUR 10,781,250 (RON 48,322,641)). The loan was transferred during 2015 to Unicredit Tiriac Bank and afterwards to Citibank Europe plc Dublin, in June 2016. Total value of credit facility is EUR 9,187,500, with the following destination:

- EUR 7.187.500 are related to refinancing of exposure to Unicredit Tiriac Bank due in 31 May 2021 – used amount as at 31.12.2016 is EUR 6,468,750;
- EUR 2.000.000 are related to a credit line for treasury transaction (IRS transaction or swap on interest).

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24. INTEREST BEARING LOANS AND BORROWINGS (continued)

In accordance with the contract with Citi Bank the following have to be complied by Canopus as of December 31, 2016:

- 80% of the annually turnover is to be routed through its current accounts
- total interest bearing debts divided by EBITDA of not more than 3
- total debt divided by equity of not more than 0.5
- Debt Service ratio of at least 1.20
- notification of Bank in case of change in shareholder structure

The Company complies with the above covenants as at December 31, 2016

The balance of the loan taken by Canopus from Unicredit is RON 29,375,241 (Dec 31, 2016) of which RON 6,527,831 short term and RON 22,847,409 long term.

TransEuropa Port has a long term loan maturing in 26 July 2017 2017 from ING Bank with a balance of RON 454,561. This Entity has also a multipurpose limit to be used as overdraft and for issuance of letters of guarantees of 2,000,000 EUR contracted from ING, not used as at 31.12.2016. Also it has an overdraft contracted from ING: used amount RON 1,106,415.

Superquatro Grup SRL has several short term loans contracted in 2016 from BCR and due in 2017, used amount as at 31,12.2016 is RON 915,621.

Also, Hotel Mercur has a bank overdraft, amount used as at 31.12.2016 of RON 206,298 and Agrimol a balance of RON 2,059,614 for bank overdrafts.

Other loans and similar debts

The Company has as at December 31, 2016 RON 14,411,694 as outstanding other loans and similar debts, mostly composed by leasing. The most significant amount of EUR1,2197,500 is from Fluvius KFT for its vessels: Melanie 2 (EUR 872,526), Melanie 1 (EUR 601,741), Ulm (EUR 310,049), Johanna (EUR 239,383), Herso (EUR 138,992) and Elsava (EUR 34, 810); and CNFR Navrom RON 3,132,822.

	Less than 1 year RON	More than 1 year RON	Total RON
Other loans and similar debts	3,956,323	10,455,371	14,411,694

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25. TRADE AND OTHER PAYABLES

	Year ended December 31, 2016	Year ended December 31, 2015
	RON	RON
Trade payables	36,923,186	32,116,677
Payables regarding invoices to receive	5,208,682	1,731,888
Sundry creditors	19,960	557,691
Total	42,151,828	34,406,256

26. PROVISIONS

	Year ended December 31, 2016	Year ended December 31, 2015
	RON	RON
Provisions for risks and charges	3,822,175	3,026,263
Total	3,822,175	3,026,263

The provisions for risks and charges are related to the litigation with Competition Council based on which the entity should pay a fine calculated on the 2005 turnover of CNFR Navrom. By the date of these financial statements the litigation was not closed.

27. OTHER CURRENT LIABILITIES

	Year ended December 31, 2016	Year ended December 31, 2015
	RON	RON
Employees related payables	3,066,749	3,009,117
Social security payable	2,627,310	2,637,378
Income tax payable	(733,510)	1,338,850
Tax on salaries payable	883,528	934,132
Interest payable	58,211	55,702
Other non-commercial liabilities	2,923,790	8,867,738
Liabilities related to VAT	3,638,571	1,267,605
Sundry creditors	6,610,229	4,056,846
Total	19,074,878	22,167,367

Other non-commercial liabilities include: RON 2,209,178 subventions for fixed assets.

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28. FINANCIAL INSTRUMENTS

a) Capital management

The Group manages its capital in order to make sure that it can continue as a going concern also ensuring a maximization of the shareholders' wealth by optimizing the balance of liabilities and equity.

The equity structure of the Group comprises of liabilities, which include the borrowings presented in note 20.

Equity includes share capital, reserves and retained earnings, as disclosed in notes 21 and 22.

The Group is not subject to any externally imposed capital requirements.

The Group monitors the equity based on gearing. Gearings is calculated as long term borrowings divided to net worth. Net worth is calculated as "Equity and reserves" as reported in the statement of financial position.

Gearing as at December 31, 2016 and December 31, 2015 was the following:

	Year ended December 31, 2016	Year ended December 31, 2015
	RON	RON
Long term borrowings	30,039,845	6,110,167
Total equity and reserves	482,965,698	472,917,926
Gearing	<u>6.22%</u>	<u>1.29%</u>

b) Foreign currency risk

The Group is exposed to fluctuations in the foreign exchange rates in the commercial and financing transactions. Foreign currency risk results from the recognized assets and liabilities, including borrowings, expressed in foreign currencies. Due to the high costs associated, the Group's policy is not to use derivatives to hedge this risk.

c) Interest rate risk management

The interest rate risk at fair value is the risk that the value of a financial instrument should fluctuate due to the variations in the market interest rates. Financial instruments are interest bearing at market rates and, as a result, it is considered that their fair values do not differ significantly from their book values.

d) Credit risk management

The Group is exposed to a credit risk due to its trade receivables and other receivables. The Group has policies in place meant to ensure that the sales are made to the clients with proper payment history. The due date of the liabilities is carefully monitored and the amounts outstanding after the expiration of the due date are promptly pursued. Trade receivables (clients) are presented net of the adjustments for the impairment of doubtful receivables. The Group develops policies that limit the value of the credit exposure to any financial institution.

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28. FINANCIAL INSTRUMENTS(continued)

e) Liquidity risk management

A prudent liquidity risk management involves maintaining sufficient cash and credit lines available, a continuous monitoring of the estimated and actual cash flow and correlation of the due dates of the financial assets and liabilities. Due to the nature of its business, the Group intends to be flexible in respect of the financing options with the support of the majority shareholder.

f) Fair value of the financial instruments

The fair values of the financial assets and liabilities are determined as follows:

- the fair value of the financial assets and liabilities under standard terms and conditions and traded active and liquid and active market is determined by reference to the listed market rates;
- the fair value of other financial assets and liabilities (excluding derivatives) is determined in accordance with the generally accepted price models, based on the analysis of the discounted cash flows, using prices from observable current market transactions; and
- the fair value of the derivatives is calculated using the listed prices. Where such prices are not available, the analysis of the discounted cash flows is applied using the yield curve applicable to derivatives that do not include options and option evaluation models for the derivatives based on options.
- The financial instruments in the balance sheet include trade receivables and other receivables, cash and cash equivalents, short and long term borrowings and other liabilities. The estimated fair values of these instruments approximate their book values. The book values represent the maximum exposure of the Company to the credit risk related to the existent receivables.

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28. FINANCIAL INSTRUMENTS (continued)

The carrying amounts of the Group's currencies expressed in monetary assets and liabilities as at the reporting date are the following:

2016	EUR		USD		CHF		GBP		RON		31-Dec-16	
	1 EUR = 4.5411	RON	1 USD = 4.3033	RON	1 CHF = 4.2245	RON	1 GBP = 5.2961	RON	1	RON	Total	RON
ASSETS												
Cash and cash equivalents	6,186,154		1,113,935		1,009		114		48,445,470		55,746,682	
Receivables and other current assets	34,944,799		3,122,469		-		-		27,119,100		65,186,368	
Other long term receivables	-		-		-		-		2,066,984		2,066,984	
LIABILITIES												
Trade payables and other payables	(21,939,769)		(6,085,153)		-		-		(33,201,783)		(61,226,706)	
Short and long term borrowings	(59,442,367)		-		-		-		-		(59,442,367)	
Net balance sheet exposure	(40,251,183)		(1,848,750)		1,009		114		44,429,771		2,330,961	
2015												
ASSETS												
Cash and cash equivalents	6,062,594		4,138,202		998		133		21,594,097		31,796,025	
Receivables and other current assets	40,985,846		5,283,756		-		-		40,727,266		86,996,869	
Other long term receivables	-		-		-		-		1,370,117		1,370,117	
LIABILITIES												
Trade payables and other payables	20,055,041		2,206,718		-		-		34,311,863		56,573,624	
Short and long term borrowings	67,229,206		-		-		-		1,144,923		68,374,129	
Net balance sheet exposure	(40,235,808)		7,215,241		998		133		28,234,695		(4,784,742)	

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28. FINANCIAL INSTRUMENTS(continued)

Sensitivity analysis

The Group is mainly exposed to the variations in the foreign exchange rates of EUR and USD against RON, The table below details the Group's sensitivity to a 10% increase or decrease of EUR / USD against RON, 10% is the sensitivity rate used when the internal reporting of the FX risk is made to the top management and represents the management's estimate regarding the reasonably possible changes in the FX rates, Sensitivity analysis includes only the remaining currency expressed in the monetary elements and adjust the translation at the end of the period for a 10% change in the FX rates, In the following table, a negative value indicates a decrease in profit when RON is impaired by 10% as against EUR / USD. A 10% increase of RON against EUR / USD would have an equal and contrary impact on profit and other equity and the balances below would be positive, The changes will be attributable to the exposures pertaining to the borrowings in EUR and USD at year end.

The exchange rates as at December 31, 2016 and as at December 31, 2015 are:

	<u>December 31, 2016</u>	<u>December 31, 2015</u>
EUR	4.5411	4.5245
USD	4.3033	4.1477
	<u>Year ended December 31, 2016</u>	<u>Year ended December 31, 2015</u>
	<i>RON</i>	<i>RON</i>
Profit or loss	(4,209,993)	(3,302,057)

The impact on the result according to each currency is the following:

Currency	<u>Year ended December 31, 2016</u>	<u>Year ended December 31, 2015</u>
	<i>RON</i>	<i>RON</i>
EUR	(4,025,118)	(4,023,581)
USD	(184,875)	721,524
Total	<u>(4,209,993)</u>	<u>(3,302,057)</u>

Tables regarding the liquidity risk and interest rate risk

The following tables detail the periods to the due dates of the financial liabilities of the Group.

The tables have been prepared based on the cash flows not updated of the financial liabilities as at the nearest date when the Group can be required to pay. The table includes both the interest and the cash flows pertaining to equity.

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28. FINANCIAL INSTRUMENTS(continued)

2016	Less than 1 year	1 - 2 years	2 - 5 years	Total
Not bearing interest				
Trade payables and other current payables	61,226,706	-	-	61,226,706
Receivables and other current assets	65,186,368	-	-	65,186,368
Other long-term receivables	-	2,066,984	-	2,066,984
Interest bearing instruments				
Long and short term borrowings	29,402,522	30,039,845	-	59,442,367
Cash and cash equivalents	55,746,682	-	-	55,746,682
2015				
Not bearing interest				
Trade payables and other current payables	56,573,524	-	-	56,573,524
Receivables and other current assets	86,996,868	-	-	86,996,868
Other long-term receivables	-	1,370,117	-	1,370,117
Interest bearing instruments				
Long and short term borrowings	62,263,962	6,110,167	-	68,374,129
Cash and cash equivalents	31,796,025	-	-	31,796,025

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29. CASH AND BANK ACCOUNTS

For the purposes of the cash flow statement, cash and cash equivalents include petty cash and bank accounts, Cash and cash equivalents at the end of the financial year, as presented in the cash flow statement can be reconciled with balance sheet elements as follows:

	Year ended December 31, 2016	Year ended December 31, 2015
	RON	RON
Cash in banks	22,321,156	17,554,383
Petty cash	335,463	253,718
Cash equivalents	33,090,063	13,987,924
Total	55,746,682	31,796,025

Cash equivalents item contains short term deposits and overdrafts. The Group has the following breakdown at the end of each reporting period.

Entity name	Year ended December 31, 2016	Year ended December 31, 2015
	RON	RON
TTS SA	32,726,036	13,088,356
CNFR Navrom SA	630	298,108
Cernavoda Shipyard	289,520	141,460
Canopus SRL	-	-
TTS Operator	-	370,000
Navrom Bac	-	-
Navrom Shipyard	-	-
Hotel Mercur	1,506	-
Trans Europa Port	-	-
Bunker Trade Logistics	-	90,000
Agrimol Trade	72,372	-

30. COMMITMENTS AND CONTINGENCIES

Contingent liabilities

Taxation

Taxation system in Romania is still developing and is subject to various interpretations and constant changes, which may sometimes be retroactive, Although the tax actually due for a transaction can be low, penalties can be significant, as they can be calculated at the value of the transaction plus a ratio of 0.03% per day for late payment for interest and penalties at 0.02% per day of late payment. In Romania, the statute of limitation for audits by the tax authorities is of 5 years. Management considers that the tax obligations included in these financial statements are adequate.

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30. COMMITMENTS AND CONTINGENCIES (continued)

Contingent liabilities (continued)

Taxation (continued)

In accordance with the provisions issued by the Ministry of Public Finance, which regulate the fiscal regime of the elements of equity that have not been subject to the calculation of the income tax at the date of being entered in the accounts, due to their nature, if the Company changes the destination of the revaluation reserves (to cover losses or to distribute to the shareholders), this will lead to supplementary income tax liabilities.

Environment

The regulations regarding the environment are still developing in Romania and the Company did not record any obligations as at December 31, 2016 or December 31, 2015 for any anticipated costs, including legal and consulting fees, surveys of the location, design and implementation of remedial plans regarding the environment.

Guarantees

Bank	Value	Currency	Start date	Maturity date	Beneficiary
	180,000	RON	10-Nov-16	15-Mar-17	Administratia Fluviala a Dunarii de Joss Galati
Unicredit Bank	5,000	EUR	23-Mar-15	31-Dec-16	Compania Nationala Administratia Porturilor Maritime SA Constanta
	10,000	EUR	4-Aug-15	31-Dec-16	Compania Nationala Administratia Porturilor Maritime SA Constanta
	18,112	RON	5-Feb-16	31-Dec-17	Compania Nationala Administratia Porturilor Maritime SA
	252,850	RON	4-Apr-16	31-Dec-17	Compania Nationala Administratia Porturilor Maritime SA Galati
	350	USD	21-Apr-16	30-Nov-17	Regia Autonoma - Administratia Zonei Libere Braila

Transfer prices

The tax regulations in Romania regarding transfer pricing have been established in Romania starting with the year 2000. The current legal frame defines the concept of „market price” for transactions between related parties as well as the methods to establish transfer prices. As a result, it is possible that the fiscal authorities start detailed verifications of the transfer prices, to insure that the fiscal result and/or the customs value of the imported goods are not affected by the prices used in transactions with related parties. The Company cannot assess the result of this verification, but the management considers that the Company does not have a significant exposure from this point of view, as there are documentations for the price transfers for the previous period, that will be further updated.


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31. SUBSEQUENT EVENTS

Through shareholders decision 1/23.03.2017, it was decided that the Company will acquire 39,994 shares from International Finance Corporation representing 6% of the share capital of TTS.

Also through Shareholders decision 2/23.03.2017, it was decided to contract a loan from Unicredit bank in amount of 7,000,000 EUR pledging some fixed assets of the Company.

These consolidated financial statements have been approved by the Board of Directors and authorized to be issued on July 31, 2017.



Mihailescu Alexandru Mircea,
President of the Board of Directors



Stefanut Petru,
CFO

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