

TTS (Transport Trade Services) S.A.

**SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AS AT DECEMBER 31, 2018**

**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,
TTS (Transport Trade Services) SA

Opinion

We have audited the separate financial statements of TTS (Transport Trade Services) SA (the Company), which comprise the separate statement of financial position as at December 31, 2018, and the separate 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 separate financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying separate financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2018, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

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.

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

Management is responsible for the preparation and fair presentation of the separate financial statements in accordance with International Financial Reporting Standards as adopted by the European Union 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.

Deloitte.

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.
- 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
Bucharest, Romania
April 24, 2019

TTS (Transport Trade Services) S.A.
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2018
(all amounts are expressed in "RON", unless specified otherwise)

	<u>Note</u>	<u>Year end December 31, 2018</u>	<u>Year end December 31, 2017</u>
Revenue	4	312,346,129	312,294,991
Raw materials and consumables		(934,605)	(514,993)
Merchandise sold		(7,485,551)	(869,765)
Depreciation		(4,129,743)	(4,621,182)
Subcontractors expenses	6	(258,423,935)	(258,807,820)
Payroll expenses		(9,322,814)	(9,663,811)
Other expenses	5	(15,570,562)	(10,080,016)
Other gains and losses	7	2,907,480	(4,828,384)
Finance income	8	57,793	143,046
Finance costs	9	(755,092)	(725,279)
Profit for the year from continuing operations		<u>18,689,100</u>	<u>22,326,787</u>
Income tax expenses	10	(4,064,051)	(4,620,726)
Total profit for the year		<u>14,625,049</u>	<u>17,706,061</u>

The financial statements were approved by the Board of Directors and authorized to be issued on April 24, 2019, by:


Stefanut Petru,
CEO




Alexandrescu Florin,
CFO

Notes attached are an integral part of these financial statements.

TTS (Transport Trade Services) S.A.
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2018
(all amounts are expressed in "RON", unless specified otherwise)

ASSETS	Note	Year end December 31, 2018	Year end December 31, 2017
Long term assets			
Property, plant and equipment	11	35.902.254	66,546,978
Intangible assets	12	364.748	2,015,082
Investments in associates	13	165.052.028	146,106,021
Other long term assets	14	241.823	241,823
Total long term assets		201.560.853	214,909,904
Current assets			
Inventories	15	1.011.088	998,433
Trade receivables and other receivables	16	24.618.882	19,066,123
Loans to associates		1.622.330	807,018
Other current assets	17	12.108.347	14,165,361
Cash and cash equivalents	26	7.949.920	25,263,980
Total current assets		47.310.567	60,300,915
Available-for-sale assets		-	-
Total assets		248.871.420	275,210,819
EQUITY AND LIABILITIES			
Equity and reserves			
Capital issued	18	31.739.592	33,072,742
Share premiums	18	-	46,417,946
Reserves	19	13.928.650	9,691,795
Retained earnings		131.156.295	116,528,219
Total equity		176.824.537	205,710,702
Long term liabilities			
Borrowings	29	20.054.770	30,055,065
Deferred tax liabilities	10	182.088	252,038
Other long term liabilities		-	1,154,375
Total long term liabilities		20.236.858	31,461,478

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TTS (Transport Trade Services) S.A.
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2018

(all amounts are expressed in "RON", unless specified otherwise)

	<u>Note</u>	<u>Year end December 31, 2018</u>	<u>Year end December 31, 2017</u>
Current liabilities			
Trade payables and other liabilities	22	36.204.198	23,283,935
Current part of long term liabilities	20	14.510.108	10,018,355
Current provisions		156.822	344,798
Other current liabilities	23	938.897	4,391,549
Total current liabilities		51.810.025	38,038,637
Total liabilities		72.046.883	69,500,115
Total equity and liabilities		248.871.420	275,210,819

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TTS (Transport Trade Services) S.A.
CASH FLOW STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2018
(all amounts are expressed in "RON", unless specified otherwise)

	Year end December 31, 2018	Year end December 31, 2017
Cash flows from operations:		
Gross profit / (loss) for the year	18,689,100	22,326,787
Adjustments for:		
Impairment and depreciation and amortization	4,129,743	4,621,182
Net interest expenses	618,704	308,184
(Profit) / Loss from sales of fixed assets	83,245	(815,539)
Net increase / (decrease) in provision for clients	368,284	(1,332,076)
Net increase / (decrease) in provision for investments in associates	4,525,306	6,110,545
Net increase / (decrease) from sales of short term investments	-	778,705
Income from dividends	-	(351,529)
Net increase / (decrease) in provision for litigation	(187,976)	111,299
Cash generated from / used in operations before changes to current capital	28,226,406	31,757,557
(Increases) / Decreases in balances of trade receivables and other receivables	5,156,737	(4,405,316)
(Increases) / Decreases in inventories of materials	(12,655)	(44,003)
Increases / (Decreases) in balances of suppliers	8,734,285	(24,582,590)
Cash from operations	42,104,773	2,725,648
Interests paid	(618,704)	(451,230)
Income tax paid	(5,278,959)	(530,508)
Net cash from operations	36,207,110	1,743,907
Cash flow from investments:		
Purchases of tangible and intangible assets	(3,878,344)	(1,898,647)
Payments for investments	-	(13,662,400)
Income from sales of fixed assets	192,241	4,197,136
Loans granted	(815,312)	19,869,510
Income from sale of short term investments	-	132,972
Income from dividends	-	351,529
Interest income	-	143,046
Cash flow used in investments	(4,501,415)	9,133,147
Net cash used in investments:		
Proceeds from share capital increase	-	-
Dividends paid	(14,400,000)	(5,549,072)
Loans net movement	(5,508,542)	25,628,571
Repurchase of own shares	(29,111,213)	(42,584,419)
Net cash from financing activities	(49,019,755)	(22,504,920)
Net increase / decrease in cash and cash equivalents	(17,314,060)	(11,627,863)
Cash at the beginning of the year	25,263,980	36,891,843
Cash at the end of the year	7,949,920	25,263,980

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TTS (Transport Trade Services) S.A.
STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2018
(all amounts are expressed in "RON", unless otherwise specified)

	Share capital	Share premiums	Legal reserves	Other reserves	Revaluation reserves	Retained earnings	Total
Balance as at January 1, 2017	35,072,442	46,417,946	6,890,760	2,783,061	-	144,973,923	236,138,132
Profit / (Loss) for the year						17,706,061	17,706,061
Canceled shares	(1,999,700)					-	(1,999,700)
Loss as result of the share acquisition						(40,584,719)	(40,584,719)
Revaluation reserves							
Revaluation reserves pertaining to the transition to IFRS 1							
Setting up of reserves				17,974		17,974	
Share capital issued							
Share premiums issued							
Dividends paid							
Result pertaining to the transition to IFRS1 for the year, net of taxes						(5,549,072)	(5,549,072)
Deferred taxes pertaining to the revaluation reserve							
Balance as at December 31, 2017	33,072,742	46,417,946	6,890,760	2,801,035	-	116,528,219	205,710,702

On June 30, 2017, a Share Purchase Agreement has been concluded between TTS SA and International Finance Corporation ("IFC") where the Company has bought back a number of 39,994 shares, representing 6% of the TTS Share capital. The total acquisition price is of EUR 9,358,596 (RON 42,584,419).

The loss resulted from the shares redemption is in amount of RON 40,584,719. Upon entering the Company in 2008, the IFC paid a capital premium of 46,218,631 lei. During 2017 the nominal value of one share has changed from 50 lei / share to 1 lei / share, so that the total number of shares issued by the Company increased from 665,570 to 33,332,850 and the share capital remained unchanged.

On August 28, 2017, the shareholders approved the reduction of the share capital from 33,332,850 lei to 31,333,150 lei in proportion to the nominal value of the canceled shares amounting to 1,997,700 lei.

After the reduction, the share capital of the company is 31,333,150 lei divided into 31,333,150 nominative shares, with a nominal value of 1 lei. In 2017 the shareholders decided to distribute dividends worth 5,549,072 lei.

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TTS (Transport Trade Services) S.A.
STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2018
(all amounts are expressed in "RON", unless otherwise specified)

	Share capital	Share premiums	Legal reserves	Other reserves	Revaluation reserves	Retained earnings	Total
Balance as at January 1, 2018	33,072,742	46,417,946	6,890,760	2,801,035	-	116,528,219	205,710,702
Profit / (Loss) for the year	-	-	-	-	-	14,625,049	14,625,049
Canceled shares	(1,333,150)	-	-	-	-	(27,778,063)	(29,111,213)
Loss as result of the share acquisition	-	-	-	-	-	-	-
Revaluation reserves	-	-	-	-	-	-	-
Revaluation reserves pertaining to the transition to IFRS 1	-	-	-	-	-	-	-
Setting up of reserves	-	(46,417,946)	-	4,236,855	-	42,181,091	-
Share capital issued	-	-	-	-	-	-	-
Share premiums issued	-	-	-	-	-	-	-
Dividends paid	-	-	-	-	-	(14,400,000)	(14,400,000)
Result pertaining to the transition to IFRS1 for the year, net of taxes	-	-	-	-	-	-	-
Deferred taxes pertaining to the revaluation reserve	-	-	-	-	-	-	-
Balance as at December 31, 2018	31,739,592	-	6,890,760	7,037,890	-	131,156,295	176,824,537

As at December 31, 2018, the share capital was in amount of RON 30,000,000 divided into 30,000,000 shares with a nominal value of RON 1. All shares issued were paid in entirety.

In March 2018, the Company bought back 1,333,150 shares with a nominal value of RON 1 each from shareholder International Finance Corporation, at a buy-back value of EUR 6,239,142.

EGMS Resolution no. 2 of 12.03.2018 approved the cancellation of its own bought back shares and the decrease of the share capital from RON 31,333,150 to RON 30,000,000. The operation is registered with the Bucharest Trade Registry.

By GMS Resolution no. 1 of 12.03.2018, the shareholders decided to allocate to the reserve account the share premiums in amount of RON 46,417,946. Also, the shareholders decided to cover the registered losses following the buy-back of the Company's own shares in amount of RON 41,279,569 out of the reserve created further to the inclusion of share premiums and retained earnings.

On March 23, 2018 the Company bought back from IFC a number of 1,333,150 shares representing 4.2548%, further to which IFC no longer holds any share in TTS. In 2018, dividends were distributed in amount of RON 14,400,000.

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TTS (Transport Trade Services) S.A.
STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2018
(all amounts are expressed in "RON", unless otherwise specified)

1. GENERAL INFORMATION

T.T.S. (Transport Trade Services) S.A. (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. T.T.S. (Transport Trade Services) S.A. operates as sender of goods in domestic and international transport, on interior river ways, offering integrated/modular transport services.

2. APPLICATION OF THE NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS AS ADOPTED BY EU

Initial application of new amendments to the existing standards 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:

- **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),
 - **Amendments to IFRS 2 "Share-based Payment"** - Classification and Measurement of Share-based Payment Transactions – adopted by the EU on 26 February 2018 (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 – adopted by the EU on 3 November 2017 (effective for annual periods beginning on or after 1 January 2018 or when IFRS 9 "Financial Instruments" is applied first time),
 - **Amendments to IFRS 15 "Revenue from Contracts with Customers"** - Clarifications to IFRS 15 Revenue from Contracts with Customers – adopted by the EU on 31 October 2017 (effective for annual periods beginning on or after 1 January 2018).
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- **Amendments to IAS 40 "Investment Property"** - Transfers of Investment Property – adopted by the EU on 14 March 2018 (effective for annual periods beginning on or after 1 January 2018),

TTS (Transport Trade Services) S.A.
NOTES TO THE SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018
(all amounts are expressed in "RON", unless otherwise specified)

2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

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

- **Amendments to IFRS 1 and IAS 28 due to "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 – adopted by the EU on 7 February 2018 (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"** – adopted by the EU on 28 March 2018 (effective for annual periods beginning on or after 1 January 2018),

The adoption of these amendments to the existing standards has not led to any material changes in the Company's financial statements.

Standards and 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 new standards and amendments to standards issued by IASB and adopted by the EU are not yet effective:

- **IFRS 16 "Leases"** – adopted by the EU on 31 October 2017 (effective for annual periods beginning on or after 1 January 2019),
- **Amendments to IFRS 9 "Financial Instruments"** - Prepayment Features with Negative Compensation – adopted by the EU on 22 March 2018 (effective for annual periods beginning on or after 1 January 2019),
- **IFRIC 23 "Uncertainty over Income Tax Treatments"** – adopted by the EU on 23 October 2018 (effective for annual periods beginning on or after 1 January 2019).

The Company has elected not to adopt these new standards and amendments to existing standards in advance of their effective dates. The Company anticipates that the adoption of these standards and amendments to existing standards will have no material impact on the financial statements of the Company in the period of initial application.

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 for the following new standards, amendments to the existing standards and new interpretation, which were not endorsed for use in EU (the effective dates stated below is for IFRS as issued by IASB):

- **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 17 "Insurance Contracts"** (effective for annual periods beginning on or after 1 January 2021),
 - **Amendments to IFRS 3 "Business Combinations"** - Definition of a Business (effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2020 and to asset acquisitions that occur on or after the beginning of that period).
 - **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),
- 2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)**

TTS (Transport Trade Services) S.A.
NOTES TO THE SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018
(all amounts are expressed in "RON", unless otherwise specified)

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

- **Amendments to IAS 1 "Presentation of Financial Statements" and IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors"** - Definition of Material (effective for annual periods beginning on or after 1 January 2020),
- **Amendments to IAS 19 "Employee Benefits"** - Plan Amendment, Curtailment or Settlement (effective for annual periods beginning on or after 1 January 2019),
- **Amendments to IAS 28 "Investments in Associates and Joint Ventures"** - Long-term Interests in Associates and Joint Ventures (effective for annual periods beginning on or after 1 January 2019),
- **Amendments to various standards due to "Improvements to IFRSs (cycle 2015 -2017)"** resulting from the annual improvement project of IFRS (IFRS 3, IFRS 11, IAS 12 and IAS 23) primarily with a view to removing inconsistencies and clarifying wording (effective for annual periods beginning on or after 1 January 2019),
- **Amendments to References to the Conceptual Framework in IFRS Standards** (effective for annual periods beginning on or after 1 January 2020).

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

The Company 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 Company in the period of initial application.

TTS (Transport Trade Services) S.A.
NOTES TO THE SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018
(all amounts are expressed in "RON", unless otherwise specified)

3. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

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

Basis of preparation

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

The main accounting policies are presented below.

Revenues recognition

Income is measured at the fair value of the amounts received or to be received. Revenues is reduced by estimated customers returns, commercial rebates and other similar allowances.

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 entity has transferred to the buyer all the significant risks and rewards of ownership over the goods;
- The entity does not hold any managerial involvement associated to ownership or effective control over the goods sold;
- The amount of revenue can be measured in a reliable manner;
- It is probably that the economic benefits will flow directed to the Entity, and
- The costs incurred or to be incurred in respect to the transaction can be measured in a reliable manner.

Specifically, the revenue from sales of goods is recognized when the goods are delivered and the ownership right is transferred.

The revenue from a provide services contract is recognized by reference to the stage of completion of the contract. The stage of completion of the contract is determined as follows:

- The installation fees are recognized by reference to the stage of completion of the installation, determined as the proportion of the total time expected to install that has elapsed at the end of the reporting period;
- The servicing fees included in the price of the products sold are recognized by reference to the proportion of the cost of providing the servicing for the product sold; and
- The revenue from time and material contracts is recognized at the contractual rates as labour hours and direct expenses are incurred.

Interest income

The interest income is recorded on a time basis, by reference to the principal due and the applicable effective interest rate, which is the exact rate of discount of the future cash inflows estimated throughout the lifetime of the financial asset, up to the net book value of the respective asset.

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NOTES TO THE SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018
(all amounts are expressed in "RON", unless otherwise specified)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases

Leases are classified as financial leases when the terms of the lease substantially transfer all the risks and benefits pertaining to ownership to the lessee. All the other leases are classified as operational leases.

The assets held under financial lease are recognized initially as assets of the Entity at the fair value as of the inception phase of the lease, or, if lower, at the current value of the minimum lease payments. The corresponding lease liability to the lessor is included in the balance sheet as financial lease liability.

Lease payments are split between financial costs and the deduction of the lease obligation, so that to obtain a constant interest rate pertaining to the remaining balance of the liability. The financing costs are recorded directly in the income statement.

The operational lease payments are recognized as expense on a straight line basis, The potential operational leases are recognized as expense as they occur.

FX transactions

The Company operates in Romania and its functional currency is RON.

Transactions in foreign currencies are translated to the respective currency of entity 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.

Costs related to long term borrowings

The costs related to the long term loans 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. The income from the temporary investment of specific borrowings until such time as the borrowings are expensed on assets is deducted from the costs pertaining to the long term borrowings eligible for capitalization.

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

Contribution for employees

The company in the normal course of business, makes payments to the Romanian State for social security , unemployment benefit fund and health care fund according to the levels established under the law and in effect during the year, calculated on the gross salaries on behalf of its employees. The value of these contributions is recorded in the income statement as the related salary expenses.

The Company pays its employees retirement benefits, as defined in the collective employment contract.

TTS (Transport Trade Services) S.A.
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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation

The income tax expense represents the sum of the current tax and deferred tax.

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 Company's liability for current tax is calculated using tax rates that have enacted or substantively enacted by the end of the reporting period.

Deferred tax

Deferred tax is recognized in respect of temporary differences between the carrying amounts of the assets and liabilities for financial reporting purposes and the corresponding taxation bases used in the calculation of the taxable profit. The deferred tax liabilities are generally recognized for all the temporary taxation differences, to the extent where it is probable that taxable profit should exist on which those temporary differences can be used. Such assets and liabilities are not recognized if the temporary difference comes from goodwill or from the initial recognition (other than from a business combination) of other assets and liabilities in a transaction that affect neither the taxable profit, nor the accounting profit.

Deferred tax liabilities are recognized for the temporary taxable differences associated with the investments in subsidiaries and associates and the interests in joint ventures. The deferred tax asset from the temporary deductible differences associated with such investments and interests is recognized only to the extent where it is likely to exist sufficient taxable income on which the benefits pertaining to the temporary differences can be used and it is estimated that they will be reversed in the near future.

The book value of the deferred tax assets is revised as at each balance sheet date and is reduced to the extent where it is no longer likely that taxable income should exist to allow the full or partial recovery of the asset.

Deferred tax assets and liabilities are measured at the taxation rate estimated to be applied in the period when the liability is settled or the asset is realized, based on the taxation rates (and tax laws) in effect or substantially in effect by the balance sheet date. The measurement of the assets and liabilities by the deferred tax reflects the fiscal consequences of the way in which the Company estimates, as at the reporting date, that it will recover or settle the book value of its assets and liabilities.

Deferred tax

Deferred tax assets and liabilities are offset when there is an applicable right to offset them in a similar way to the current assets and liabilities which are offset with the current tax and when they regard the income taxes levied by the same tax authority and the Company intends to offset its deferred tax assets with its deferred tax liabilities on a net basis.

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, 2018 was 16% (December 31, 2017: 16%).

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 recorded in the balance sheet at their historic values adjusted by the effect of the hyperinflation by December 31, 2003, in accordance with IAS 29 *Financial reporting in hyperinflationary economies reduced by the subsequently cumulated depreciation and other impairments*.

The incomes or loss resulted from the sale or decommissioning of an asset is determined as a difference between the income made from the sale of the assets and their net book value. The incomes or losses are recognized in the Income statement.

Any revaluation increase arising on the revaluation of such land and buildings is recognized in other comprehensive income and accumulated in equity, except to the extent that it reverses a revaluation decrease previously recognized in the profit and loss, in which case the increase is credited to profit or loss to the extent of the decrease previously expensed.

The depreciation of the buildings is recorded in the statement of comprehensive income.

Properties in the course of construction for production, rental, and administrative purposes or for purposes not yet determined are recorded at historic cost. 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 is recorded such as to diminish cost, other than cost of land and properties under construction, throughout their estimated lifetime, on a straight line basis.

The estimated useful service lives, residual values and the depreciation method are revised at each year end, resulting in changes to the future accounting estimates.

The assets held under financial leases are depreciated throughout the useful service life, similarly with the assets held with full title.

The Company 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.

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 become the deemed cost.

The loss or earning from the sale or decommissioning of a tangible asset are calculated as difference between the income from sales and the net book value of the asset and are recognized in the income statement.

Buildings and special constructions	8 - 60 years
Technical installations and equipment	3 - 30 years
Vehicles	4 - 6 years

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:

Licenses	1 - 5 years
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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of tangible and intangible assets

At the end of each reporting period, the Entity reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment losses. If any such indication exists, the recoverable amount of the asset is estimated to determine the size 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. 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.

If the recoverable value of an asset is estimated as being lower than its carrying amount, the carrying amount of the asset (cash generating unit) is reduced to its recoverable value. An impairment loss is immediately recognized in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

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.

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, respective weighted average basis for fuel and FIFO for the other classes of inventories. Net realizable value represents the sale price estimated for inventories less all the costs estimated for completion and the costs pertaining to the sale.

Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company 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 presentvalue of those cash flows.

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 Company's obligation.

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets and liabilities

Company's financial assets include investments, cash and cash equivalents, trade receivables. Financial liabilities include financial lease obligations, interest bearing bank borrowings and other liabilities. For each element, the accounting policies regarding the recognition and measurement are disclosed in this note. Management considers that the estimated fair values of these instruments approximate their book values.

Borrowings are initially recognized at fair value, less the costs incurred with the respective operation. Subsequently, these are recorded at amortized costs. Any difference between the addition value and the repayment value is recognized in the profit and loss account during the term of the borrowing, using the effective interest rate.

The classification of the investments depends on the nature and purpose of the same and is determined as at the date of the initial recognition.

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.

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.

Derecognition of the assets and liabilities

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

The Company 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.

Comparatives

Certain amounts in the statement of the financial position, statement of the comprehensive result, cash flow statement and statement of changes in shareholders' equity for the prior year have been reclassified to be put in line with the current year presentation.

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4. INCOME

An analysis of the Company's income for the financial year is given below:

	<u>Year end December 31, 2018</u>	<u>Year end December 31, 2017</u>
Income from sales of goods	7,891,216	1,516,310
Income from services provided	300,145,555	306,261,921
Income from other activities	<u>4,309,358</u>	<u>4,516,760</u>
Total	<u>312,346,129</u>	<u>312,294,991</u>

The income from services provided is represented mainly by fluvial transportation services provided to several third party customers on the Danube river together with CNFR Navrom Galati and NFR Drobeta but also handling operations and cargo storage. This is the core business of the Company and represents around 98% from the total income for the years ended. As at December 31, 2018 and December 31, 2017, the segment information was not presented since the rest of the business generating revenues for the Company is not significant for the financial statements.

	<u>Year end December 31, 2018</u>	<u>Year end December 31, 2017</u>
Sales to the domestic market (Romania)	160,778,476	142,787,497
Sales to foreign markets	<u>151,567,653</u>	<u>169,507,494</u>
Total	<u>312,346,129</u>	<u>312,294,991</u>

5. OTHER EXPENSES

	<u>Year end December 31, 2018</u>	<u>Year end December 31, 2017</u>
Electricity expenses	369,275	439,017
Repairs	1,499,355	1,334,507
Rent expenses	4,137,391	2,638,222
Insurance expenses	812,062	764,163
Commissions expenses	897,464	2,485,265
Advertising and protocol expenses	938,846	793,794
Travel expenses	126,110	223,641
Telecommunication expenses	202,376	236,822
Tax expenses	511,536	556,030
Other administrative expenses	<u>6,076,147</u>	<u>608,555</u>
Total	<u>15,570,562</u>	<u>10,080,016</u>

6. SUBCONTRACTORS EXPENSES

Subcontractors expenses include expenses with third parties used to render the transportation services.

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7. OTHER EARNINGS AND LOSSES

	Year end December 31, 2018	Year end December 31, 2017
Income from financial investments	-	889
Expenses from financial investments transferred	-	(1,525,189)
Income from financial assets	209,958	351,529
Other financial income	426,847	444,972
Other financial expenses	(312,092)	-
Income / (Expense) from financial investments	324,713	(727,799)
Other income	6,863,088	2,215,502
Revenue / (Expense) net from sales of fixed assets	5,998	815,539
Net income/ (Expenses) from FX differences	446,345	(1,281,324)
Net income / (Expense) from adjustments for current assets	(368,277)	1,356,160
Revenue / (Expense) net from adjustments of investment values	(4,525,305)	(6,110,545)
Charging doubtful receivables against income	(27,058)	(984,618)
Revenue / (Expense) net from provisions	187,976	(111,299)
Total	2,907,480	(4,828,384)

8. FINANCE INCOME

An analysis of the Company's income for the financial year is presented below:

	Year end December 31, 2018	Year end December 31, 2017
Interest income	57,793	143,046
Total	57,793	143,046

9. FINANCE COSTS

	Year end December 31, 2018	Year end December 31, 2017
Bank fees and commissions	78,595	274,049
Interests on borrowings	676,497	451,230
Total	755,092	725,279

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10. INCOME TAX

	Year end December 31, 2018	Year end December 31, 2017
Current tax		
Current tax expense	4,134,001	4,784,696
Deferred tax		
Expenses / (Income) with deferred tax recognized in the current year	(69,950)	(163,970)
Total	4,064,051	4,620,726

The taxation rate applied for the reconciliation above for the years 2018 and 2017 is 16%.

	Year end December 31, 2018	Year end December 31, 2017
Profit before tax	18,689,100	22,326,787
Income tax calculated at 16%	2,990,256	3,572,286
Non-taxable expenses	1,587,915	1,891,650
Income elements that are exempt from taxation	(632,991)	(924,269)
Other elements of income that are exempt from taxation	188,821	245,029
Fiscal credit	-	-
Current tax in respect with the current year before fiscal losses	4,134,001	4,784,696
Fiscal losses carried forward	-	-
Current tax in respect with the current year	4,134,001	4,784,696
Reevaluation reserve impact	(146,160)	(181,038)
Present value of the loan received from IFC and concession granted;	76,210	17,068
Income tax expenses recognised in the profit and loss accounts and the other comprehensive income	4,064,051	4,620,726

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11. PROPERTY, PLANT AND EQUIPMENT

COST	Land	Buildings	Plant and equipment	Fixtures and furniture	Tangible assets in progress	Total
Balance as at January 1, 2017	7,788,234	43,090,167	24,566,527	2,832,590	9,988,696	88,266,214
Increases	14,800	20,589	545,913	40,347	1,135,038	1,756,687
Transfers	-	-	-	-	-	-
Disposals	(474,310)	(470,866)	(4,098,894)	(13,862)	(73,535)	(5,131,468)
Transfers	-	-	-	-	-	-
Fair value - adjustments	-	-	-	-	-	-
Balance as at December 31, 2017	7,328,724	42,639,890	21,013,546	2,859,075	11,050,199	84,891,433
ACUMULATED DEPRECIATIONS						
Balance as at January 1, 2017	-	2,810,463	12,281,279	720,561	-	15,812,304
Depreciation expense	-	1,282,323	2,538,361	387,802	-	4,208,486
Disposals	-	(42,738)	(1,633,598)	-	-	(1,676,336)
Balance as at December 31, 2017	-	4,050,048	13,186,043	1,108,363	-	18,344,454
NET BOOK VALUE						
As at December 31, 2016	7,788,234	40,279,704	12,285,248	2,112,029	9,988,696	72,453,911
As at December 31, 2017	7,328,724	38,589,842	7,827,503	1,750,711	11,050,199	66,546,979

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11. PROPERTY, PLANT AND EQUIPMENT (continued)

	<u>Land</u>	<u>Buildings</u>	<u>Plant and equipment</u>	<u>Fixtures and furniture</u>	<u>Tangible assets in progress</u>	<u>Total</u>
COST						
Balance as at January 1, 2018	7,328,724	42,639,890	21,013,546	2,859,075	11,050,199	84,891,433
Increases	35,660	2,387,040	2,922,547	40,875	2,075,335	7,461,457
Out of which transfers	-	2,300,716	1,365,491	-	-	3,666,207
Disposals	54,560	21,477,001	1,653,963	2,134,805	11,503,912	36,824,241
Out of which transfers	-	-	-	-	3,666,207	3,666,207
Fair value - adjustments	-	-	-	-	-	-
Balance as at December 31, 2018	7,309,824	23,549,929	22,282,130	765,145	1,621,622	55,528,650
ACUMULATED DEPRECIATIONS						
Balance as at January 1, 2018	-	4,050,048	13,186,043	1,108,363	-	18,344,454
Depreciation expense	-	1,119,040	2,424,968	237,851	-	3,781,859
Disposals	-	1,044,346	799,553	656,019	-	2,499,918
Balance as at December 31, 2018	-	4,124,742	14,811,458	690,195	-	19,626,395
NET BOOK VALUE						
As at December 31, 2017	7,328,724	38,589,842	7,827,503	1,750,711	11,050,199	66,546,979
As at December 31, 2018	7,309,824	19,425,187	7,470,672	74,950	1,621,622	35,902,255

In 2018, the Company ceased as share capital contribution to a new company, TTS Covasna, assets with a value of 22,638,410 lei representing building - hotel together with the related equipment and means of transport.

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11. PROPERTY, PLANT AND EQUIPMENT (continued)

a) Tangible assets pledged

As at December 31, 2018, the net book value of the tangible assets pledged in favor of banks in respect of the bank borrowings contracted by the Company amounts to RON 15,137,578 (2017: RON 19,087,970).

b) Tangible assets purchased under financial leases

As at December 31, 2018, the Company did not have any financial leases.

12. INTANGIBLE ASSETS

	<u>Concessions and patents</u>	<u>Other intangible assets</u>	<u>Intangible assets in progress</u>	<u>Total</u>
COST				
As at December 31, 2016	1,567,612	1,537,018	-	3,104,630
Additions	5,220	210,275	-	215,495
Disposals	-	-	-	-
As at December 31, 2017	1,572,833	1,747,292	-	3,320,125
Additions	923	82,171	-	83,094
Disposals	1,563,577	115,628	-	1,679,205
As at December 31, 2018	10,178	1,713,836	-	1,724,014
ACUMULATED AMORTIZATION				
As at December 31, 2016	184,162	708,186	-	892,348
Amortization for the year	33,911	378,785	-	412,696
Amortization pertaining to disposals	-	-	-	-
As at December 31, 2017	218,073	1,086,971	-	1,305,044
Amortization for the year	28,268	319,616	-	347,884
Amortization pertaining to disposals	238,417	55,244	-	293,661
As at December 31, 2018	7,924	1,351,344	-	1,359,267
NET BOOK VALUE				
December 31, 2017	1,354,760	660,321	-	2,015,081
December 31, 2018	2,255	362,492	-	364,747

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 net value at which they are reflected in the financial position as at December 31, 2018 and December 31, 2017 is their fair value.

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13. INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES

For individual financial statements the Company considers that the cost method would be relevant for the user of its separate financial statements, as presented in the table below:

Name of investment	Set-up year	Core Business	Place of operations	Holding Percentage	Holding Percentage	Carrying amount of the investment	Carrying amount of the investment
				12/31/2018	12/31/2017	12/31/2018	12/31/2017
				%	%	Leif	Leif
Navrom S.A.	1991	Freight transport by inland waterways	Galati, Romania	91.79%	91.79%	39,221,244	39,221,244
Canopus Star S.R.L.	2001	Handling related to freight transport by inland waterways	Constanta, Romania	51.00%	51.00%	45,079,480	45,079,480
TTS Porturi Fluviale	1996	Handling related to freight transport by inland waterways	Galati, Romania	100.00%	100.00%	25,215,557	25,215,557
TTS Operator S.R.L.	1994	Handling related to freight transport by inland waterways	Constanta, Romania	90.00%	90.00%	1,763,811	1,763,811
Cargorom Trans BVBA	1997	Other transportation support activities	Antwerpen, Belgium	51.00%	-	-	-
Sim Tur S.R.L.	2006	Hotels and other accommodation facilities similar	Buzau, Romania	91.79%	91.79%	2,565,286	2,565,286
Agrimol		Trading various products	Bucuresti, Romania	99.96%	99.96%	496,405	5,021,608
Plimsoil KFT	2016	Freight transport by inland waterways	Budapest, Hungary	51.00%	51%	9,066,000	9,066,000
TTS (Transport Trade Services) Gmbh	2014	Complementary activities related to transport	Viena, Austria	75.00%	75.00%	116,477	116,477
Cargo Trans Vagon S.A.	2004	Freight transport by railway	Bucuresti, Romania	40.7400%	40.74%	17,891,218	17,891,218
Transterminal-S S.R.L.	2006	Freight transport by railway	Chisinau, Rep. Moldova	25.5000%	25.50%	147,339	147,339
Management NFR S.A.	2003	Consulting for business	Bucuresti, Romania	20.0000%	20.00%	18,000	18,000
GIF Leasing IFN	2004	Financial leases	Bucuresti, Romania	7.7014%	7.701%	-	-
TTS Covasna SRL	2018	Hotels and other accommodation facilities similar	Covasna	99.97%	-	23,471,210	-
Total						165,052,028	146,106,021

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14. OTHER LONG TERM ASSETS

	Year end December 31, 2018	Year end December 31, 2017
Long term securities	183,230	183,230
Loans to related parties	-	-
Commercial guarantees	58,593	58,593
Total	241,823	241,823

15. INVENTORIES

	Year end December 31, 2018	Year end December 31, 2017
Consumables	958,065	751,644
Small tools	53,023	102,367
Goods	-	144,422
Total	1,011,088	998,433

16. TRADE AND OTHER RECEIVABLES

	Year end December 31, 2018	Year end December 31, 2017
Trade receivables	33,055,280	27,333,526
Value adjustments for doubtful receivables	(9,055,692)	(8,687,408)
Advances paid to suppliers of services	239,845	40,556
Other receivables	379,449	379,449
Total	24,618,882	19,066,123

Changes to the provision for doubtful receivables

	Year end December 31, 2018	Year end December 31, 2017
Balance at the beginning of the year	8,687,408	10,043,568
(Decrease) / Increase in provision recognized in the income statement	368,284	(1,356,160)
Balance at the end of the year	9,055,692	8,687,408

During 2018, the company has made adjustments for clients older than 270 days in the amount of RON 373,424. It was also deduced from receivables as a result of bankruptcy, bankruptcy or prescription, claims amounting to RON 97,280. The balance of customers older than 1 year at 31.12.2018 is RON 1,664,827.

During 2017 the main provision recorded is for Agrimol RON 365,549 and the main reversal of provisions for Comcereal RON 1,333,333.

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17. OTHER CURRENT ASSETS

	Year end December 31, 2018	Year end December 31, 2017
Amounts paid in advance	1,329,694	1,536,949
Sundry debtors	7,306,723	9,203,679
Taxes to recover	3,471,930	3,424,733
Total	12,108,347	14,165,361

18. ISSUED CAPITAL

Issued capital comprises:

	No. of Shares	Share capital	Share premium
Balance at December 31, 2016	666,657	35,072,442	46,417,946
No shares after reduction of the nominal value	33,332,850	35,072,442	46,417,946
Issue of shares	(1,999,700)	(1,999,700)	-
Balance at December 31, 2017	31,333,150	33,072,742	46,417,946
No shares after reduction of the nominal value	(1,333,150)	(1,333,150)	-
Closing share premium to retained earnings	-	-	46,417,946
Balance at December 31, 2018	30,000,000	31,739,592	-

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.

At December 31, 2016 the number of ordinary shares was 666,657.

In June 2017, after the acquisition of 39,994 shares of the IFC shareholder, the nominal value of the shares changed from 50 lei / share to 1 leu / share so the total number of ordinary shares increased from 666,657 to 33,332,850.

On August 28, 2017, the shareholders approved the cancellation of 1,997,700 own shares acquired from the shareholder of International Finance Corporation, representing 6% of the company's subscribed share capital.

Also, at the same date, shareholders approved the reduction of the share capital from RON 33,332,850 to RON 31,333,150, with the nominal value of the canceled shares amounting to RON 1,997,700.

After the reduction the share capital of the company is 31,333,150 lei divided into 31,333,150 nominative shares, with a nominal value of 1 leu.

By decision of AGM no 1 of 12.03.2018, shareholders decided to distribute the issue premiums in the reserve account amounting to RON 46,417,946. It also decided to cover the losses registered as a result of the redemption of its own shares in the amount of RON 41,279,569 from the reserve created as a result of the incorporation of the issue premiums and the result transferred.

On 23 March 2018, the Company redeemed from IFC a number of 1,333,150, representing 4.2548%, IFC not having any TTS action.

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The inflated IFRS of the share capital at 31 December 2018 is RON 31,739,592 (2017: 33,072,751 RON).

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18. ISSUED CAPITAL (continued)

As at 31 December 2018, the Company's shareholding structure is as follows:

Shareholding structure	No. of shares	Ratio
Peter Hungerbuehler	3,030,300	10,1010%
Moldoveanu Aurel Florin	303,050	1,0102%
Hartan Constantin	1,515,150	5,0505%
Stefan Viorel	3,030,300	10,1010%
Simion Daniela Camelia	303,050	1,0102%
Miron Mihaela	153,500	0,5117%
Cismek Mihaela Aurelia	153,500	0,5117%
Stefan Jancovschi Daniel	453,050	1,5102%
Mihailescu Alexandru Mircea	14,847,000	49,4900%
Stefanut Petru	909,100	3,0303%
Stoean Antonio Gabriel	453,050	1,5102%
Petrea Silviu Catalin	453,050	1,5102%
Stanciu Ion	4,242,400	14,1413%
Alexandrescu Florin	153,500	0,5117%
Total	30,000,000	100%

As at 31 December 2017, the Company's shareholding structure is as follows:

Shareholding structure	No. of shares	Ratio
International Finance Corporation	1,333,150	4,2548%
Peter Hungerbuehler	3,030,300	9,6712%
Moldoveanu Aurel Florin	303,050	0,9672%
Hartan Constantin	1,515,150	4,8356%
Stefan Viorel	3,030,300	9,6712%
Simion Daniela Camelia	303,050	0,9672%
Miron Mihaela	153,500	0,4899%
Cismek Mihaela Aurelia	153,500	0,4899%
Stefan Jancovschi Daniel	453,050	1,4459%
Mihailescu Alexandru Mircea	14,847,000	47,3843%
Stefanut Petru	909,100	2,9014%
Stoean Antonio Gabriel	453,050	1,4459%
Petrea Silviu Catalin	453,050	1,4459%
Stanciu Ion	4,242,400	13,5397%
Alexandrescu Florin	153,500	0,4899%
Total	31,333,150	100%

19. RESERVES

	Year end December 31, 2018	Year end December 31, 2017
Legal reserves	6,890,760	6,890,760
Reevaluation reserve	-	-
Other reserves	7,037,890	2,801,035
Total	13,928,650	9,691,795

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20. BORROWINGS

	Year end December 31, 2018	Year end December 31, 2017
Secured borrowings		
Short term borrowings	4,482,723	-
Current part of long term borrowings	10,027,385	10,018,355
Long term borrowings		
Long term borrowings	20,054,770	30,055,065
Total short and long term borrowings	30,082,155	40,073,420

Amounts due to credit institutions

The Company has the following loans contracted from Unicredit Tiriac Bank:

- a loan of EUR 2,000,000 with final maturity on 30.12.2020, with annual installments of EUR 400,000 each. Its balance at 31 December 2018 is EUR 1,200,000 equivalent to RON 5,596,680 of which RON 1,865,560 - short term and RON 3,731,120 - in the long term;
- overdraft and bank guarantee letters of EUR 3,000,000, due on 28.12.2019 for overdraft and 30.12.2022 for guarantee letters, unused on 31.12.2018;
- a loan of EUR 7,000,000 with final maturity on 28.12.2020, rambursable in 8 semi-annual installments of EUR 875,000 each. Its balance at 31 December 2018 is EUR 5,250,000 equivalent of RON 24,485,475, out of which RON 8,161,825 - short term and RON 16,323,650 - long term;

The credit line of EUR 2,000,000 is guaranteed by the mortgage on the buildings owned by the Company in Bucharest 34 Vaselor Street, the real estate mortgage on cash receivables and their accessories, coming from contracts concluded by TTS with its clients as debtors; the mortgage on all present and future bank accounts and sub-accounts opened by TTS SA at the bank, the mortgage on the cash receivables resulting from the insurance contracts / policies issued by an insurance company agreed by the bank.

This loan of 7,000,000 is guaranteed by the mortgage on the buildings owned by the Company in Bucharest 34 and 27 Vaselor Street, the land in Bucharest, Ion Maiorescu no.14 and 16B, as well as the property and equipment of TTS Porturi Fluviale SRL located in Galati, 56, Portului Street, Docks Port; the mortgage on the cash receivables and their accessories, coming from the contracts concluded by TTS with its clients in the capacity of debtors divested; the mortgage on all present and future bank accounts and sub-accounts opened by TTS SA at the bank, the mortgage on the cash receivables resulting from the insurance contracts / policies issued by an insurance company agreed by the bank

All loans from Unicredit Bank are secured by the mortgage on the buildings owned by the Company in Bucharest 34 and Vaselor Street no. 27, the land in Bucharest, Ion Maiorescu street no.14 and 16B, Silos in Giurgiu.

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20. BORROWINGS (continued)

The following covenants were mentioned in the contract:

- Current ratio must be over 1
- Debt Service ratio over 1.1
- 80% of the annually turnover is to be routed through its current accounts.

The Company complies with the above covenants as at December 31, 2018.

The company has contracted from Citibank Europe PLC, Dublin-Sucursala Romania, a credit line amounting to EUR 1,000,000 under the 8212 / CB / 2017 contract with automatic renewal for periods of one year. Its balance at 31.12.2018 is RON 4,482,723, equivalent to EUR 961,533.

The Company it also warranting for the credit agreements concluded by its subsidiaries with Unicredit Bank S.A. and Citibank, respectively for CNFR Navrom S.A., Canopus Star S.R.L. (up to 51% under the share capital), TTS Porturi Fluviale S.R.L., Agrimol Trade S.R.L. Navrom Shipyard S.R.L.

21. PROVISIONS

The Company recorded a provision for risks and litigation in amount of 156,822 RON (2017: 344,798 RON) for untaken holidays.

22. TRADE PAYABLES AND OTHER PAYABLES

	Year end December 31, 2018	Year end December 31, 2017
Trade payables	30,565,792	21,398,846
Payables regarding invoices to receive	1,137,304	565,986
Sundry creditors	4,501,102	1,319,103
Total	36,204,198	23,283,935

23. OTHER CURRENT PAYABLES

	Year end December 31, 2018	Year end December 31, 2017
Employees related payables	232,727	317,892
Social security	551,275	1,042,909
Income tax	-	2,605,764
Tax on salaries payable	75,454	276,048
Interest payable	-	-
Other liabilities	79,441	148,936
Total	938,897	4,391,549

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24. FINANCIAL INSTRUMENTS

a) Capital risk management

The Company 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 Company has liabilities, which include the borrowings presented in note 20.

Equity includes share capital, reserves and retained earnings, as disclosed in Notes 18 and 19.

The Company 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, 2018 and December 31, 2017 was the following:

	Year end December 31, 2018	Year end December 31, 2017
Total borrowings	34,564,878	40,073,420
Total equity and reserves	176,824,537	205,710,702
Gearing	19.5%	19.5%

b) Foreign currency risk

The Company is exposed to fluctuations in the FX 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 Company'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 Company is exposed to a credit risk due to its trade receivables and other receivables. The Company 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 Company develops policies that limit the value of the credit exposure to any financial institution.

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 Company intends to be flexible in respect of the financing options with the support of the majority shareholder.

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24. FINANCIAL INSTRUMENTS (continued)

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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24. FINANCIAL INSTRUMENTS (continued)

The book values of the Company's currencies expressed in monetary assets and liabilities as at the reporting date are the following:

	2018		2017		31-Dec-18		31-Dec-17	
	EUR	USD	CHF	GBP	RON	RON	RON	RON
	1 EUR =4.6639	1 USD =4.0736	1 CHF =4.1404	1 GBP =5.1931	1	1	Total	Total
	RON	RON	RON	RON	RON	RON	RON	RON
ASSETS								
Cash and cash equivalents	1,333,605	713,081	-	112	5,903,122	7,949,920		
Receivables and other current assets	17,035,676	1,871,453	-	-	17,820,099	36,727,229		
Loans to associates	-	-	-	-	1,622,330	1,622,330		
Other long term receivables	-	-	-	-	241,823	241,823		
LIABILITIES								
Trade payables and other payables	(2,060,808)	(253,533)	-	-	(34,828,755)	(37,143,095)		
Short and long term borrowings	(30,082,155)	-	-	-	(4,482,723)	(34,564,878)		
Net balance sheet exposure	(13,773,681)	2,331,001	-	112	13,724,103	(25,166,671)		
	EUR	USD	CHF	GBP	RON	RON		
	1 EUR =	1 USD =	1 HUF =	1 GBP =	1	1	Total	Total
	4,6597	3,8915	0,015011	5,253	RON	RON	RON	RON
ASSETS								
Cash and cash equivalents	10,194,195	3,228,664	953	113	11,840,055	25,263,980		
Receivables and other current assets	14,814,634	1,688,179	158,111	168,775	16,401,784	33,231,484		
Loans to associates	-	-	-	-	241,823	241,823		
Other long term receivables	-	-	-	-	807,018	807,018		
LIABILITIES								
Trade payables and other payables	(10,879,328)	(392,290)	-	(1,920)	(16,401,946)	(27,675,484)		
Short and long term borrowings	(40,073,420)	-	-	-	-	(40,073,420)		
Net balance sheet exposure	(25,943,919)	4,524,553	159,064	166,968	12,888,734	(8,204,600)		

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24. FINANCIAL INSTRUMENTS (continued)

Sensitivity analysis

The Company is mainly exposed to the variations in the FX rates of EUR and USD against RON. The table below details the Company'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, 2018 and as at December 31, 2017 are:

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
EUR	4.6639	4.6597
USD	4.0736	3.8915
	<u>Year end December 31, 2018</u>	<u>Year end December 31, 2017</u>
Profit or loss	(2,516,678)	(2,109,333)

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

Currency	<u>Year end December 31, 2018</u>	<u>Year end December 31, 2017</u>
EUR	(1,377,368)	(2,594,392)
USD	233,100	(452,455)
CHF	0	15,906
RON	(1,372,410)	16,697
Total	<u>(2,516,678)</u>	<u>(2,109,333)</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 Company.

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

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24. FINANCIAL INSTRUMENTS (continued)

2018

	Less than 1 month	> 1 month - 1 year	1-2 year(s)	2-5 years	Total
Not bearing interest					
Trade payables and other current payables	37,143,097	-	-	-	37,143,097
Interest bearing instruments					
Long and short term borrowings	-	14,510,108	11,892,945	8,161,825	34,564,878
Long and short term leases	7,949,920	-	-	-	7,949,920
Cash and cash equivalents	-	1,622,330	-	-	1,622,330
Loans to associates	36,727,229	-	-	-	36,727,229
Receivables and other current assets	-	241,823	-	-	241,823
Other long term receivables	-	-	-	-	-

2017

	Less than 1 month	> 1 month - 1 year	1-2 year(s)	2-5 years	Total
Not bearing interest					
Trade payables and other current payables	27,675,484	-	-	-	27,675,484
Interest bearing instruments					
Long and short term borrowings	-	10,018,355	10,018,355	20,036,710	40,073,420
Long and short term leases	25,263,980	-	-	-	25,263,980
Cash and cash equivalents	807,018	-	-	-	807,018
Loans to associates	33,231,484	-	-	-	33,231,484
Receivables and other current assets	-	241,823	-	-	241,823
Other long term receivables	-	-	-	-	-

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25. RELATED PARTY TRANSACTIONS

Balances and transactions with the related parties are the following:

	Amounts receivable from related parties		Amounts payable to related parties	
	31-Dec-18	31-Dec-17	31-Dec-18	31-Dec-17
Navrom S.A.	5,530	135,859	18,211,083	10,520,548
TTS Operator S.R.L.	2,821,100	2,000,000	2,380,140	3,572,018
Canopus Star S.R.L.	-	-	5,736,442	1,923,830
TTS Porturi Fluviale S.R.L.	-	13,151	535,798	180,045
Navrom Bac S.R.L.	-	-	-	-
Navrom - Centru de Afaceri S.R.L.	-	-	-	-
Navrom Shipyard S.R.L.	-	-	-	-
Sim Tur S.R.L.	151,012	151,012	-	-
Cargorom Trans BVBA	-	-	-	-
Agrimol Trade S.R.L.	6,717,326	6,773,056	-	-
Cernavoda Shipyard S.R.L.	-	29,274	-	-
TTS Vienna	1,498,167	1,026,735	55,967	55,917
Fluvius KFT	-	148,091	-	-
Plimsoll KFT	56,548	106,766	-	-
Bunker Trading	-	-	-	-
TTS Covasna	539.838	-	-	-
Total	11,789,521	10,383,944	26,919,430	16,252,358

	Sales of goods and services		Acquisitions of goods and services	
	31-Dec-18	31-Dec-17	31-Dec-18	31-Dec-17
Navrom S.A.	242.404	276,860	184.768.844	183,495,575
TTS Operator S.R.L.	4.140.000	7,863,349	22.717.361	23,120,607
Canopus Star S.R.L.	-	-	12.550.142	9,286,834
TTS Porturi Fluviale S.R.L.	-	108,198	2.143.869	1,533,965
Navrom Bac S.R.L.	-	-	-	-
Navrom - Centru de Afaceri S.R.L.	-	-	7.030	25,669
Navrom Shipyard S.R.L.	-	-	-	-
Agrimol Trade S.R.L.	17.536	10,557	-	-
Cargo Trans Vagon	-	-	-	-
Cernavoda Shipyard S.R.L.	-	5,573	102.084	16,287
Hotel Mercur	-	7	-	-
Fluvius KFT	2.560	146,624	147.356	467,326
Plimsoll KFT	326.351	377,075	-	-
TTS Vienna	4.081.237	9,664,630	238.537	604,357
Bunker Trade Logistic S.R.L.	-	-	-	-
Transterminal S	-	-	-	-
Navrom River	-	-	80.340	34,715
Superquatro Grup S.R.L	-	-	-	80,104
TTS Covasna	9.266.462	-	-	-
Total	9.266.462	18,452,873	222.755.563	218,665,439

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26. 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:

	<u>Year end December 31, 2018</u>	<u>Year end December 31, 2017</u>
Cash in banks	7,577,505	24,660,046
Petty cash	4,415	51,934
Cash equivalents	<u>368,000</u>	<u>552,000</u>
Total	<u>7,949,920</u>	<u>25,263,980</u>

27. 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. 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.

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, 2018 or December 31, 2017 for any anticipated costs, including legal and consulting fees, surveys of the location, design and implementation of remedial plans regarding the environment.

28. SUBSEQUENT EVENTS

The Board of Directors approved the separation of the secondary activities by division according to the draft division no. 129 of 20 March 2019 which was published at the Trade Register Bucharest in April 2019 and on the company's website (www.tts-group.ro).

The financial statements were approved by the Board of Directors and authorized to be issued on April 24, 2019, by:

Stefanut Petru,
CEO



Alexandres Florin,
CFO