

TTS (Transport Trade Services) SA

**CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020**

**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) S.A.
Bucharest, Romania

Opinion

1. We have audited the consolidated financial statements of TTS (Transport Trade Services) SA (the Group), which comprise the consolidated statement of financial position as at December 31, 2020, and the consolidated statement of profit and loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.
2. In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2020, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Basis for Opinion

3. 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 Consolidated Financial Statements

4. Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.
5. In preparing the consolidated financial statements, management is responsible for assessing the Group'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 Group or to cease operations, or has no realistic alternative but to do so.
6. Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

7. Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated financial statements.

8. 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 consolidated 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 Group'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 Group'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 consolidated 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 Group to cease to continue as a going concern.
 - Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
 - Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.
9. 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.

On behalf of:
Deloitte Audit SRL

Alina Mirea

*For signature, please refer to the original
Romanian version.*

Bucharest, Romania
April 9, 2021


TTS (Transport Trade Services) SA
CONSOLIDATED STATEMENT OF PROFIT & LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2020
(all amounts are expressed in "RON", unless specified otherwise)

	Note	Year ended December 31, 2020	Year ended December 31, 2019
Revenue	4	520,286,096	551,794,655
Raw materials and consumables		(68,101,396)	(93,002,855)
Cost of merchandise sold		(17,612,705)	(18,900,042)
Subcontractors expenses	8	(191,214,213)	(186,207,591)
Payroll expenses		(96,684,881)	(94,899,893)
Other expenses	5	(40,434,577)	(39,707,747)
Depreciation and amortization		(51,993,771)	(54,724,918)
Other gain and losses	7	8,001,387	4,881,279
Total operating result		62,245,940	69,232,888
Investment expenses	6	(624,988)	504,146
Net of finance cost/ income	9	(2,536,451)	(3,011,622)
Profit of the year from continuing operations		59,084,501	66,725,412
Income tax expenses	10	(10,828,634)	(13,438,576)
Profit of the year		48,255,867	53,286,836
Other comprehensive (loss)/ income		(344,578)	-
Total comprehensive income for the year, net of tax		47,911,289	53,286,836
Profit of the year attributable to:			
Owners of the Company		44,248,198	47,675,116
Non-controlling interests		4,007,669	5,611,720
Total comprehensive income for the year attributable to:			
Owners of the Company		43,903,620	47,675,116
Non-controlling interest		4,007,669	5,611,720

These consolidated financial statements have been approved by the Board of Directors, and authorized to be issued on April 9, 2021.


STEFANUT PETRU,
GENERAL DIRECTOR




Nicoleta Florescu
FINANCIAL DIRECTOR

This is a free translation from the original Romanian version.
Notes attached are an integrant part of the consolidated financial statements.

TTS (Transport Trade Services) SA
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2020
(all amounts are expressed in "RON", unless specified otherwise)

	Note	Year ended December 31, 2020	Year ended December 31, 2019
ASSETS			
Non-current assets			
Property, plant and equipment	12	583,695,195	563,104,192
Goodwill	13	3,846,603	3,846,603
Intangible assets	14	1,937,840	2,520,253
Investments in associates	15	7,596,793	8,183,373
Other long term assets	16	4,101,983	4,116,889
Total non-current assets		601,178,414	581,771,310
Current assets			
Inventories	17	22,990,259	30,462,518
Trade and other receivables	18	54,674,745	69,758,698
Other current assets	19	16,821,195	18,041,090
Cash and cash equivalents	28	55,160,530	62,393,392
Assets held for sale	20	-	3,351,341
Total current assets		149,646,728	184,007,040
Total assets		750,825,142	765,778,350
EQUITY AND LIABILITIES			
Equity and reserves			
Share capital	21	31,739,602	31,739,602
Reserves	22	223,522,014	228,582,979
Retained earnings		244,420,990	210,756,405
Equity attributable to equity holders of the parent		499,682,606	471,078,986
Non-controlling interest	23	105,299,772	102,215,786
Non-current liabilities			
Interest-bearing loans	24	23,113,632	46,058,930
Deferred tax liabilities	10	7,785,872	7,992,550
Long term leasing	3	160,086	166,965
Other long term liabilities	24	115,415	382,313
Total non-current liabilities		31,175,005	54,600,758

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TTS (Transport Trade Services) SA
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2020
(all amounts are expressed in "RON", unless specified otherwise)

	Note	Year ended December 31, 2020	Year ended December 31, 2019
Current liabilities			
Trade and other payables	25	28,903,685	38,718,474
Current portion of the leasing	3	209,417	294,879
Interest bearing loans and borrowings	24	50,801,555	62,894,813
Provisions for risks and charges	26	5,008,685	6,324,756
Other current liabilities	27	29,744,417	29,649,900
Total current liabilities		114,667,759	137,822,821
Total liabilities		145,842,764	192,483,579
Total equity and liabilities		750,825.142	765,778,350

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STEFANUT PETRU
GENERAL DIRECTOR

NICOLETA FLORESCU,
FINANCIAL DIRECTOR

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TTS (Transport Trade Services) S.A.
CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2020
(all amounts are expressed in "RON", unless specified otherwise)

	Share capital	Legal reserves	Other Reserves	Retained earnings	Translation reserve	Attributable to owners of the parent	Non controlling interests	Total
Balance as at January 1, 2020	31,739,602	5,968,175	222,614,804	210,756,405	-	471,078,986	102,215,785	573,294,771
Profit for the year	-	-	-	44,248,197	-	44,248,197	4,007,669	48,255,867
Transfers between Reserves	-	31,825	(5,092,790)	5,060,965	-	-	-	-
Share capital issued	-	-	-	-	-	-	-	-
Translation adjustments	-	-	-	-	(344,578)	(344,578)	-	(344,578)
Dividends distributed	-	-	-	(15,300,000)	-	(15,300,000)	-	(15,300,000)
Increase in percentage held in subsidiaries	-	-	-	-	-	-	-	-
Dividends distributed to minority interest	-	-	-	-	-	-	(923,682)	(923,682)
Deferred taxes pertaining to the revaluation reserve	-	-	-	-	-	-	-	-
Balance as at December 31, 2020	31,739,602	6,000,000	217,522,014	244,765,567	(344,578)	499,682,606	105,299,772	604,982,378

As at December 31, 2020, 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 are paid in entirety.

On April 28, 2020, the Extraordinary Shareholders meeting decided to settle the loss resulted from redemption of their own shares partly with Other reserves of 5,138,376 lei. As at December 31, 2019, the recorded as a result of the redemption of own shares were presented as retained earnings.

Other reserves includes revaluation reserves in amount of 63,894,161 lei as at December 31, 2020 (63,894,161 lei as at December 31, 2019). In 2020, dividends were distributed in amount of 15,300,000 lei.

These consolidated financial statements have been approved by the Board of Directors, and authorized to be issued on April 9, 2021.

STEFANUT PETRU,
GENERAL DIRECTOR

NICOLETA FLORESCU,
FINANCIAL DIRECTOR



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TTS (Transport Trade Services) S.A.
CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2020
(all amounts are expressed in "RON", unless specified otherwise)

	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, 2019	31,739,602	-	6,666,572	220,894,582	223,903,136	483,203,893	97,167,164	580,371,057
Profit for the year	-	-	-	-	47,675,116	47,675,116	5,611,720	53,286,836
Spin-off effect	(8,525,000)	-	(1,705,000)	-	(42,370,023)	(52,600,023)	133,457	(52,466,566)
Transfer between reserves	-	-	(666,572)	666,572	-	-	-	-
Reserves	-	-	1,673,175	1,053,650	(2,726,825)	-	-	-
Share capital issued	8,525,000	-	-	-	(8,525,000)	-	-	-
Dividends distributed	-	-	-	-	(7,200,000)	(7,200,000)	-	(7,200,000)
Increase in percentage held in subsidiaries	-	-	-	-	-	-	(396,999)	(396,999)
Dividends distributed to minority interest	-	-	-	-	-	-	(299,557)	(299,557)
Deferred taxes pertaining to the revaluation reserve	-	-	-	-	-	-	-	-
Balance as at December 31, 2019	31,739,602	-	5,968,175	222,614,804	210,756,405	471,078,986	102,215,785	573,294,771

As at December 31, 2019, 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 are paid in entirety.

In November 2019, the asymmetrical spin off project nr .129/20.03.2019 was finalized according to which the activity related to the administration of the associates dealing in non-core activities for the group like hotels, rail transportation and renting and subrenting goods were spinned off as independent activities. The net asset transferred to the new Company set up following the spin off, namely TTS Adrent Consult SA, is in amount of 52,600,023 lei. The share capital of TTS ADRENT CONSULT S.A. is in amount of 8,525,000 lei. Following the spin off process, the share capital of the Company was in amount of 21,475,000 lei. The details of the spin off are presented in note 31.

On November 20, 2019, the Extraordinary Shareholders meeting decided to increase the share capital of the Company with the amount of 8,525,000 lei, from 21,475,000 lei to 30,000,000 lei, from profits not distributed in prior years. The difference to 31,739,602 lei is represented by differences resulting from the application of IAS 29.
In 2019, dividends were distributed in amount of RON 7,200,000.

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STEFANUT PETRU,
GENERAL DIRECTOR




NICOLETA FLORESCU,
FINANCIAL DIRECTOR



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TTS (Transport Trade Services) S.A.
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2020
(all amounts are expressed in "RON", unless specified otherwise)

Notes	Year ended December 31, 2020	Year ended December 31, 2019
Cash flows from operating activities:		
Profit before taxation	59,084,501	66,725,412
Adjustments for non-cash items:		
Depreciation, amortization and impairment	12 51,993,773	48,574,213
Net increase in provision for fixed assets	12 (4,307,358)	6,108,502
Net interest expenses	2,055,104	2,295,945
(Gain)/ Loss from disposals of fixed assets	(3,691,974)	859,759
Net increase in provision for current assets	975,981	(781,097)
Net increase / (Decrease) in provision for risks and charges	(1,316,071)	2,466,901
Net increase / (Decrease) in value of associates	586,580	159,682
Exchange rates differences	-	-
Operating profit before working capital changes	105,380,536	126,409,318
Changes in operating assets and liabilities:		
(Increase) / Decrease in trade and other receivables	14,493,663	(6,853,024)
Decrease / (Increase) in inventories	7,976,793	(6,285,152)
Increase / (Decrease) in trade and other payables	(14,620,363)	5,080,627
Cash generated from operations	113,230,629	118,351,769
Interests paid	(2,055,104)	(2,295,945)
Income tax paid	(3,673,185)	(6,866,547)
Net cash flow generated from operations	107,502,340	109,189,277
Investing activities:		
Purchases of tangible and intangible assets	(73,108,110)	(70,218,139)
Payments for investments	(730,326)	(1,197,375)
Income from sale of fixed assets	5,601,087	4,374,331
Loans (granted) to associates	-	(950,000)
Encashment from sale of investments	3,840,703	(159,682)
Spin off payments	31 -	(351,364)
Dividends paid to non-controlling interests	-	(299,557)
Cash flow used in investing activities	(64,396,646)	(68,801,785)

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TTS (Transport Trade Services) S.A.
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2020
(all amounts are expressed in "RON", unless specified otherwise)

	Notes	Year ended December 31, 2020	Year ended December 31, 2019
Financing activities:			
Dividends paid		(15,300,000)	(7,200,000)
Loan (paid) / received		(35,038,556)	(9,337,142)
Shares bought back		-	(396,999)
Cash flow generated by financing activities		(50,338,556)	(16,934,141)
Net (decrease) / increase in cash and cash equivalents		(7,232,863)	23,453,350
Cash and cash equivalents at the beginning of the year		62,393,392	38,940,040
Cash and cash equivalents at the end of the year		55,160,530	62,393,392

These consolidated financial statements have been approved by the Board of Directors, and authorized to be issued on April 9, 2021.

STEFANUT PETRU,
GENERAL DIRECTOR



NICOLETA FLORESCU,
FINANCIAL DIRECTOR

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

TTS (Transport Trade Services) S.A.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020
(all amounts are expressed in "RON", unless specified otherwise)

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 27, 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 31 December 2020 comprise the Company and its subsidiaries (together referred to as "Group" and individually as "Group entities").

The consolidated financial statements of the Company as at and for the year ended December 31, 2020 were initially approved on March 31, 2021.

As at December 31, 2020 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 (Transport Trade Services) SA holds 92.065% (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 (Transport Trade Services) 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).

TTS PORTURI FLUVIALE SRL (TRANS EUROPA PORT SA) is a stockholding entity, established in 1996, where TTS (Transport Trade Services) SA owns 100% 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 (Transport Trade Services) 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 (Transport Trade Services) SA owns 99.98%. 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 4619).

CERNAVODA SHIPYARD SRL is a limited liability entity, established in 2013, where TTS (Transport Trade Services) SA owns 92.0265% through Navrom S.A. 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).

Bunker Trade Logistics SRL is a limited liability entity, established in 2013, where TTS (Transport Trade Services) SA owns directly 92.0265% through Navrom S.A. In 2020 Navrom SA acquired from Bunker the 4.50% share capital of Bunker from TTS Operator S.R.L.. The entity's headquarters is in Constanta, incinta Port. The core business is related river various services (cod CAEN 5222).

TTS (Transport Trade Services) GMBH is a liability entity established in 2014, where TTS (Transport Trade Services) 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 (Transport Trade Services) SA owns indirectly through CNFR Navrom SA 91,5915% 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 on rivers (code CAEN 5030).

NAVROM – CENTRU DE AFACERI SRL was a stockholding entity, established in 1999, where TTS (Transport Trade Services) SA owned indirectly through CNFR Navrom 91.56% from the share capital. The entity's headquarters was at no. 23, Portului Street, Galati County. The entity's core business was related to the rental and sub-rental of goods owned or rented (code CAEN 6820). In December 2020 the Company was voluntary liquidated.

NAVROM SHIPYARD SRL is a limited liability entity established in 1999, where TTS (Transport Trade Services) SA owns indirectly through CNFR Navrom 92.009% from the share capital. The core business is related to the maintenance and repair of the ships and boats (code CAEN 3315).

TTS (Transport Trade Services) S.A.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020
(all amounts are expressed in "RON", unless specified otherwise)

1. GENERAL INFORMATION (continued)

Navrom River S.R.L. is an entity established in 2011, where TTS (Transport Trade Services) SA owns indirectly through CNFR Navrom 92.0265%. The entity's headquarters is at no. 23, Portului Street, Galati county. The company will merge with CNFR Navrom in the year 2021

SUPERQUATRO Grup SRL is a limited liability entity headquartered in Galati, str. Portului 20. CNFR Navrom owns 92,0265% of Superquatro. The entity's core business is related to performance of hydrotechnical works (CAEN code 4291).

TRANSTERMINAL-S SRL is a limited liability entity, established in 2006, where TTS (Transport Trade Services) SA owns 20%. The entity's headquarter is at no. 14/3, Gradina Botanica Street, Chisinau. The core business is represented by the railway transportation of goods.

NAVROM PORT SERVICE SA is a stockholding entity, established in 1999, where TTS (Transport Trade Services) SA owns indirectly through CNFR Navrom SA 45,99%. 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 (Transport Trade Services) SA owns directly 51%. TTS SA has acquired in 20 June 2016 the 51% stake. The entity's headquarter is at no 1139, Frangepan street, Budapest, Hungary. The core business is represented by railway and river transport and forwarding services.

FLUVIUS KFT is a limited liability entity where TTS (Transport Trade Services) SA indirectly owns 51% through PLIMSOLL KFT. The entity's headquarter is at no 1139, Frangepan street, Budapest, Hungary. The core business is represented by river transport.

MANAGEMENT NFR SA is a stockholding entity, established in 2003, where TTS (Transport Trade Services) 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). The Company is in advanced liquidation procedure.

GIF LEASING IFN is a limited liability entity, established in 2004, where TTS (Transport Trade Services) 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). The Company is in insolvency.

PORT OF FAJSZ kft is a limited liability company set up in 2004, in which TTS (Transport Trade Services) SA holds 100% directly. TTS S.A. bought on June 27, 2019 100% of the shares of the company. The Headquarters of the company is Fajsz, lot nr 076/2, Ungaria. The core business is auxiliary services for water transportation. On acquisition date, the Company was named EZUSTBARKA kft, the change in denomination to PORT OF FAJSZ kft was done on 30.08.2019.

TTS (Transport Trade Services) S.A.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020
(all amounts are expressed in "RON", unless specified otherwise)

1. GENERAL INFORMATION (continued)

Name of investment	Core Business	Place of establishment and operations	Type	December 31, 2020		December 31, 2019		December 31, 2020	December 31, 2019
				%	lei	%	lei		
CNFR Navrom S.A.	Transportation of goods on rivers	Galați, Romania	Subsidiary	92.0265%	39,569,465	91.9023%	39,308,697		
Canopus Star S.R.L.	Handling of goods	Constanța, Romania	Subsidiary	51%	45,079,480	51%	45,079,480		
TTS Porturi Fluviale S.R.L.	Handling of goods	Galați, Romania	Subsidiary	100%	25,206,269	100%	25,206,269		
TTS Operator S.R.L.	Handling of goods	Constanța, Romania	Subsidiary	90.00%	1,706,207	90.00%	1,706,207		
Navrom Bac S.R.L.	transportation on rivers	Galați, Romania	Subsidiary	91.5915%	1,571,951	89.486%	1,571,951		1,118,660
Navrom - Centru de Afaceri S.R.L.	Rental and sub-rental of goods owned or rented	Galați, Romania	Subsidiary	-	-	-	-		2,107,688
Navrom Shipyard S.R.L.	Repair and maintenance of ships and boats	Galați, Romania	Subsidiary	92.009%	9,114,875	91.57%	9,103,000		
Navrom River S.R.L.	Hotels and similar activities	Galați, Romania	Subsidiary	92.0265%	20,577,000	91.90%	20,577,000		
Superquattro Group SRL	Hydrotechnical works	Galați, Romania	Subsidiary	92.0265%	6,180,080	91.90%	6,180,080		3,859,670

TTS (Transport Trade Services) S.A.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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1. GENERAL INFORMATION (continued)	Name of investment	Core Business	Place of establishment and operations	Type	December 31, 2020		December 31, 2019	
					%	Lei	%	Lei
	TTS (Transport Trade Services) GmbH	Complementary activities related to transport	Austria	Subsidiary	75%	1,116,477	75%	1,116,477
	Plimsoll Kft	Complementary activities related to transport	Budapesta, Ungaria	Subsidiary	51%	9,066,000	51%	9,066,000
	Fluvius Kft	Transportation of goods on rivers	Budapesta, Ungaria	Subsidiary	51%	-	51%	-
	Port of Fajsz Kft	Handling of goods	Fajsz, Ungaria	Subsidiary	100%	1,293,500	100%	1,293,500
	Agrimol Trade S.R.L.	Trading various products	București, Romania	Subsidiary	99.9771%	15,352,500	99.96%	9,352,500
	Cernavodă Shipyard S.R.L.	Repair and maintenance of ships and boats	Cernavodă, Romania	Subsidiary	92.0265%	17,083,000	91.89%	17,038,000
	Bunker Trade Logistics	Complementary activities related to transport	Constanța, Romania	Subsidiary	92.0265%	200,000	91.81%	200,000
	Transterminal-S S.R.L.	Railway transportation of goods	Chișinău, Rep. Moldova	Associate	20%	147,339	20%	147,339

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1. GENERAL INFORMATION (continued)

Name of investment	Core Business	Place of establishment and operations	Type	December 31,		December 31,	
				2020	2019	2020	2019
				%	%	Lei	Lei
Navrom Port Service S.A.	Railway transportation of goods	Galați, Romania	Associate	45.9923%	45.87%	878,700	878,700
Management NFR S.A.	Business and consultancy services	București, Romania	Associate	20.00%	20.00%	-	-
GIF Leasing IFN	Finance lease	Bucharest, Romania	Investment	7.701%	7.701%	-	-
For Serv Drum	Construction	Argeș, Romania	Investment	30.00%	30.00%	-	-

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1. GENERAL INFORMATION (continued)

Consolidation perimeter

TTS (Transport Trade Services) SA prepares consolidated financial statements for the year ended December 31, 2020. 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., TTS Porturi Fluviale S.R.L., TTS Operator S.R.L., Navrom Bac S.R.L. Navrom - Centru de Afaceri S.R.L., Navrom Shipyard S.R.L., Agrimol Trade S.R.L., Cernavoda Shipyard S.R.L., Bunker Trade Logistic S.R.L, TTS (Transport Trade Services)GMBH, Navrom River S.R.L., Superquatro Group SRL, Plimsoll Kft and Fluvius Kft known as “the Group”.

COVID IMPACT

The company performed a comprehensive analysis and concluded that the COVID-19 pandemic did not have significant influence over company activities and also over accounting policies as:

- The company has concluded contracts and orders as usual without any significant delays;
- The deliveries and execution of contracts run as usual without any significant delays;
- There were no delays in supplier chain or in acquisition process;
- There were no issues in collection patterns, all the receivables were collected on time;
- There are no issue in payments of suppliers, salaries and other current liabilities;
- The company profitability remains steady (current and budgeted one).

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

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

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

- **Amendments to IAS 1 “Presentation of Financial Statements” and IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors”** - Definition of Material - adopted by the EU on 29 November 2019 (effective for annual periods beginning on or after 1 January 2020),
- **Amendments to IFRS 3 “Business Combinations”** - Definition of a Business - adopted by the EU on 21 April 2020 (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 9 “Financial Instruments”, IAS 39 “Financial Instruments: Recognition and Measurement” and IFRS 7 “Financial Instruments: Disclosures”** - Interest Rate Benchmark Reform - adopted by the EU on 15 January 2020 (effective for annual periods beginning on or after 1 January 2020),

Amendments to IFRS 16 “Leases” - Covid-19-Related Rent Concessions (adopted by the EU on 9 October 2020 and effective at the latest, as from 1 June 2020 for financial years starting on or after 1 January 2020),*

- **Amendments to References to the Conceptual Framework in IFRS Standards** adopted by the EU on 29 November 2019 (effective for annual periods beginning on or after 1 January 2020).

The adoption of 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 amendments to the existing standards were issued by IASB and adopted by the EU and which are not yet effective:

- **Amendments to IFRS 4 Insurance Contracts “Extension of the Temporary Exemption from Applying IFRS 9”** adopted by the EU on 16 December 2020 (the expiry date for the temporary exemption from IFRS 9 was extended from 1 January 2021 to annual periods beginning on or after 1 January 2023),

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

- Amendments to IFRS 9 "Financial Instruments", IAS 39 "Financial Instruments: Recognition and Measurement", IFRS 7 "Financial Instruments: Disclosures", IFRS 4 "Insurance Contracts" and IFRS 16 "Leases" - Interest Rate Benchmark Reform — Phase 2 adopted by the EU on 13 January 2021 (effective for annual periods beginning on or after 1 January 2021).

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 and amendments to the existing standards, which were not endorsed for use in EU as at [date of publication of financial statements] (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"** including amendments to IFRS 17 (effective for annual periods beginning on or after 1 January 2023),
- **Amendments to IAS 1 "Presentation of Financial Statements"** - Classification of Liabilities as Current or Non-Current (effective for annual periods beginning on or after 1 January 2023),
- **Amendments to IAS 16 "Property, Plant and Equipment"** - Proceeds before Intended Use (effective for annual periods beginning on or after 1 January 2022),
- **Amendments to IAS 37 "Provisions, Contingent Liabilities and Contingent Assets"** - Onerous Contracts — Cost of Fulfilling a Contract (effective for annual periods beginning on or after 1 January 2022);
- **Amendments to IFRS 3 "Business Combinations"** - Reference to the Conceptual Framework with amendments to IFRS 3 (effective for annual periods beginning on or after 1 January 2022),
- **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 various standards due to "Improvements to IFRSs (cycle 2018 -2020)"** resulting from the annual improvement project of IFRS (IFRS 1, IFRS 9, IFRS 16 and IAS 41) primarily with a view to removing inconsistencies and clarifying wording (The amendments to IFRS 1, IFRS 9 and IAS 41 are effective for annual periods beginning on or after 1 January 2022. The amendment to IFRS 16 only regards an illustrative example, so no effective date is stated.).

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.

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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 assets that are stated at 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 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.

The going concern principle. The Company operates according to the going concern principle. This principle assumes that the entity will continue its activity normally, without entering liquidation or significantly reducing its activity.

Functional and presentation currency

These financial statements are presented in lei, which is the functional currency of the Group. 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, 2020 and as at December 31, 2019 are:

	<u>December 31,</u> <u>2020</u>	<u>December 31,</u> <u>2019</u>
EUR	4.8694	4.7793
USD	3.9660	4.2608

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.

Current versus non-current classification

The Company presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in the normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realised within twelve months after the reporting period, or
- Cash

All other assets are classified as non-current.

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Basis of preparation (continued)

A liability is current when:

- It is expected to be settled in the normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

Deferred tax assets and liabilities are classified as non-current assets and liabilities

Fair value measurement

The Group measures and recognizes at fair value ships (presented within ships category).

As at December 31, 2017 ships were revalued by an ANEVAR member company, Elf Expert. The method used by the evaluator was the cost approach (coupled with an impairment analysis) and market value approach. The impact of the revaluation methods used was an increase of 72,116,901 RON and a decrease of 2,212,218 RON.

. Also, fair values of financial instruments measured at amortized cost are estimated for disclosure purposes.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1: market prices in active markets for identical assets or liabilities
- Level 2: inputs other than quoted market prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3: inputs are unobservable inputs for the asset or liability.

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Company determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The Company's management determines the policies and procedures for both recurring fair value measurement, such as land, buildings and for non-recurring measurement, such as assets held for sale from discontinued operations.

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Basis of preparation (continued)

External evaluators are involved for valuation of significant assets, such as land, buildings, equipment. Involvement of external evaluators is decided upon annually by the management.

Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained.

At each reporting date, the management analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Company's policies by verifying the major inputs applied in the latest valuation and assessing the changes from the previous valuation.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

3.3 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 31 December each year. Control is achieved when the Company:

- has the power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affects its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an investee, it considers that it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and

any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, the results of subsidiaries acquired or disposed of during the year are included in profit or loss from the date the Company gains control until the date when the Company ceases to control the subsidiary.

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.

Non-controlling interests in subsidiaries are identified separately from the Group's equity therein. Those interests of non-controlling shareholders that are present ownership interests entitling their holders to a proportionate share of net assets upon liquidation may initially be measured at fair value or at the non-controlling interests' proportionate share of the fair value of the acquirer's identifiable net assets. The choice of measurement is made on an acquisition-by-acquisition basis. Other non-controlling interests are initially measured at fair value. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity.

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3 Basis of consolidation (continued)

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of the subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

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, the related cumulative gain or loss is recognized in revaluation reserves in other comprehensive income. As PPE carried at fair value is disposed, the revaluation reserve corresponding to the respective asset is moved to retained earnings.

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 IFRS 9 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.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquire (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquire and the fair value of the acquirer's previously held interest in the acquire (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

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.

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.

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.5 Investments in associates (continued)

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 IFRS 9. 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.

3.7 Revenue from contracts with customers

IFRS 15 "Revenue from contracts with customers" introduces a comprehensive model for the recognition and measurement of income. The standard replaces the existing income recognition criteria, replacing IAS 18 "Income", IAS 11 "Construction Contracts" and IFRIC 13 "Customer Loyalty Programs". Under the new standard, revenue is recognized when the customer acquires control of the goods or services provided, at the amount that reflects the price that the company expects to receive in exchange for those goods or services.

Revenue is measured based on the consideration to which the Group expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties. The Group recognizes revenue when it transfers control of a product or service to a customer.

The revenue is measured at the fair value of the counter value received or receivable. Revenue from sales is reduced for returns, commercial rebates and other similar reductions. The basic rule is that prices/tariffs are calculated based on costs + profit, under market conditions. Port prices are more stable, contracted mostly on yearly basis but usually same over a longer period of time. Tariffs for transport are more stable for minerals and part of chemicals, i.e. contracts valid one year (or more), spot contracts are calculated according to the basic rule. Tariffs for grains are agreed for main volumes, basis on one year long contract, level of tariffs being higher during season (July – December) and lower for off-season (January-June); spot contracts follows the basic rule. Prices for transport are adjusted with BAF (bunker adjustment fee) and LWS (low water surcharge).

The company has the following revenue streams:

A. Revenue from logistic contracts

3.7.1 .Revenue from logistic services (transport, expedition, port operations) are recognised over time according to the contractual conditions:

A. Revenue from logistic services are recognised as the transport is confirmed by the beneficiary based on the following documents:

- freight documents (bill of lading, other related transport documents);
- Documents attesting to the unloading operation from transport vehicles like barges, maritime ships or loading operation of loading the commodities (tally upon unloading / Out Turn Report – OTR / draft unloading survey).
- For the transportation services in progress at year end- the revenue is recognised as it is executed depending on percentage of execution of the service applying the output method based 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

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.7 Revenue from contracts with customers (continued)

Revenues are reflected in the forward segment (revenues generated by TTS (TRANSPORT TRADE) SA, Plimsoll Hungary and TTS Austria), the fluvial segment (revenues generated by CNFR NAVROM and Navrom Bac and Fluvius Hungary) and port operation segment (revenues generated by Canopus Star subsidiary and TTS Operator SRL from Constanta and the subsidiary TTS River Ports Galati and Port of Fajsz from Hungary) detailed in Note 11. The forward segment is mainly involved in contracting the final clients and subcontracting the work to be done by transportation suppliers mainly from the fluvial segment but also third parties. Port operations are also doing services for the first two segments but also for other third parties clients. Revenues are recognized over time in line with contractual terms.

3.7.2. Sale of goods

Revenue from sales of goods is recognized when control of the goods are physically transferred being at the point the customer purchases the goods.

This is a secondary stream activity of the Group that it is mainly reflected in the activity of the subsidiaries Agrimol Trade SRL and Bunker Trade Logistic SRL, this activity being included in the segment "other activities" please see note 11.

The revenues are recorded based on approved contract between parties and parties being committed to perform their respective obligations. Each parties rights and payment terms can be easily identified. The contracts have commercial substance and it is probable that the entity will collect the consideration to which will be entitled in exchange for the goods or services transferred to the customer.

3.7.3 Revenues from construction contracts

Revenue and costs for construction contracts in Navrom Shipyard and Cernavoda Shipyard are recognized at a point in time when delivered to client based on acceptance from the beneficiary. As the project is executed, costs are capitalized as work in progress.

Costs capitalized for these work in progress are reflected in the "other revenues" and are generated by Navrom Shipyard Galati and Cernavoda Shipyard subsidiaries.

The Group is using the practical expedient in relation to the disclosure of the backlog as at December 31, 2020 and 2019 due to the nature of the framework contracts in place.

3.8 Retirement benefit costs

In the normal course of business, the Group makes payments to the Romanian State on behalf of its employees, for pensions, health and unemployment fund. The cost of these payments is charged to the income statement in the same period as the related salary cost.

All employees of the Company 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.

3.9 Taxation

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

Uncertainties exist with respect to the interpretation of complex tax regulations, changes in tax laws, and the amount and timing of future taxable income. Given the wide range of business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded.

The Group's policy is to establish tax provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective counties in which it operates. The amount of such tax provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the respective Group's domicile. As the Group assesses the probability for litigation and subsequent cash outflow with respect to taxes as remote, no contingent liability has been identified.

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.9 Taxation (continued)

Deferred tax assets are recognized for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

A. 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 current income tax liability is calculated using tax rates that have enacted or substantively enacted by the end of the reporting period.

B. 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 (2020 and 2019: 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.

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, 2020 was 16% (December 31, 2019: 16%), in accordance with the Romanian legislation.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible into known amounts of cash and which are subject to an insignificant risk of change in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the statement of financial position.

3.10 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. Tangible assets in progress that will be used in production or in administration are stated at cost less any impairment. Costs include professional fees and, in case of qualifying assets, borrowing costs capitalized in accordance with the Company's accounting policies. Such assets are classified under such categories of tangible assets when completed or ready for use for the purpose they were intended. The depreciation of such assets, on the same basis as other owned assets, commences when the assets are ready for use as intended by the management.

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.10 Property, plant and equipment (continued)

Land is not depreciated.

The depreciation of the property plant and equipment items is recorded in the statement of comprehensive income through the profit and loss of the year.

The depreciation commences when the assets are ready for their intended use. .

Property, plant and equipment is stated at cost less accumulated depreciation and accumulated impairment losses. For ships, included in Plant and equipment, the revaluation model is used. They are depreciated on the EUL of these assets which may be subject to revaluation report issued by an independent member of ANEVAR.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

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 no longer recognized further to its assignment or when no future economic benefits are expected from the continued use of the asset. Any gain or loss resulting from the assignment or disposal of an item of property, plant and equipment is determined as the difference between proceeds from sales and the carrying value of the asset and is recognized in the Group's profit or loss.

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

	<u>Years</u>
Buildings	3 – 60
Plant and equipment	2 – 30
Fixtures and furniture	2 – 16
Ships	8 - 20

3.11 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:

	<u>Years</u>
Concessions & patents	1 – 5

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.12 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).

Where the asset does not generate cash, inflows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Where there can be identified a consistent allocation basis, the Group's corporate 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.

The recoverable value means the highest of fair value minus sale costs and its value in use. When measuring the value in use, estimated future cash flows are discounted at their current value by using a discount rate determined prior to taxation, which reflects the current market assessments of the time value of money and the risks specific to the asset for which the estimates related to future cash flows have not been adjusted.

If the recoverable value of an asset (or cash-generating unit) is estimated to be lower than its carrying value, then the carrying value of the asset (or the cash-generating unit) is reduced to the level of the recoverable value. Impairment is recognized immediately in profit or loss, if the relevant asset is not registered at a re-measured value, in which case the impairment is treated as reduction of re-measurement.

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.

3.13 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.

3.14 Provisions

Provisions are recognized when the Group has a present obligation (legal or implicit) as a result of a past event, and it is probable that an outflow of resources incorporating economic benefits will be required to settle that obligation and a reliable estimate of the value of the obligation may be made.

The value recognized as provision is the best estimate of the counter value required to settle the present obligation at the end of the reporting period, considering the risks and uncertainties related to the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, the carrying value thereof is the present value of such cash flows (if the effect of the time value of money is material).

When expected that some of or all the economic benefits required to settle a provision be recovered from third parties, then the receivable is recognized as asset if it is almost certain that the repayment will be collected and the value of the receivable can be reliably assessed.

Taxation provisions

The Group records current tax provision relating to management's assessment of the amount of tax payable on open tax positions where the liabilities remain to be agreed with the Romanian Tax Authorities. Uncertain tax items for which a provision is made, relate principally to the interpretation of tax legislation regarding arrangements entered into by the Group. Due to the uncertainty associated with such tax items, there is a possibility that, on conclusion of open tax matters at a future date, the final outcome may differ significantly. There are no such open issue with the tax authorities for the Group as at December 31, 2020 for which a provision would be needed.

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.14 Provisions (continued)

Onerous contracts

Present obligations generated under onerous contracts are recognized and measured as provisions. A contract is onerous when the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

Warranties

Provisions for estimated costs of guarantee obligations according to local legislation concerning the sale of goods are recognized on the date when the relevant products are sold, at the best estimate made by the management as regards the expenses required to settle the Company's obligation.

3.15 Use of estimates

The preparation of the financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Critical accounting judgements

The following are the critical judgements that the management has used in applying the Group's accounting policies and which have a significant impact on the carrying values recognized in the financial statements.

i) Allowances for inventories

At the end of each reporting period, the Group revises the sufficiency of allowances for slow moving inventories as in Note 17.

ii) Useful life of tangible and intangible assets

The Company revises the estimated useful life of tangible and intangible assets at the end of each annual reporting period. The useful lives are presented in Note 3.12 tangible and intangible accounting policies.

iii) Deferred tax.

The carrying amount as at December 31, 2020 and December 31, 2019 is presented in Note 10.

iv) Provisions and contingent liabilities.

Provisions are reassessed annually – presented in Note 26 and contingent liabilities are also determined on annual basis - presented in Note 28.

3.16 Application of IFRS 9 *Financial Instruments*

Financial assets and financial liabilities are recognised in the Group's statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value, except for trade receivables that do not have a significant financing component which are measured at transaction price. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.16 Application of IFRS 9 Financial Instruments (continued)

Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets. Financial assets resulting from the main operations of the company are presented as Trade receivables while receivables from secondary operations like sale of ships (PPE) are presented as sundry debtors.

Classification of financial assets

Debt instruments that meet the following conditions are measured subsequently at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

(i) Amortised cost and effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

For financial assets other than purchased or originated credit-impaired financial assets (i.e. assets that are credit-impaired on initial recognition), the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated by discounting the estimated future cash flows, including expected credit losses, to the amortised cost of the debt instrument on initial recognition.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost. For financial assets other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset.

For purchased or originated credit-impaired financial assets, the Group recognises interest income by applying the credit-adjusted effective interest rate to the amortised cost of the financial asset from initial recognition. The calculation does not revert to the gross basis even if the credit risk of the financial asset subsequently improves so that the financial asset is no longer credit-impaired.

Interest income is recognised in profit or loss and is included in the Net of finance cost/ income line item.

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.18 Application of IFRS 9 *Financial Instruments* (continued)

Foreign exchange gains and losses

The carrying amount of financial assets that are denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period. Specifically:

- for financial assets measured at amortised cost that are not part of a designated hedging relationship, exchange differences are recognised in profit or loss;

Impairment of financial assets

The Group recognises a loss allowance for expected credit losses on investments in debt instruments that are measured at amortised cost, lease receivables, trade receivables and contract assets, as well as on financial guarantee contracts. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group always recognises lifetime expected credit losses (ECL) for trade receivables, contract assets and lease receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

(ii) Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Group's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the Group's core operations.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk for a particular financial instrument, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor, or the length of time or the extent to which the fair value of a financial asset has been less than its amortised cost;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- significant increases in credit risk on other financial instruments of the same debtor; and
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.18 Application of IFRS 9 *Financial Instruments* (continued)

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if:

- (1) the financial instrument has a low risk of default;
- (2) the debtor has a strong capacity to meet its contractual cash flow obligations in the near term; and
- (3) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The Group considers a financial asset to have low credit risk when the asset has external credit rating of 'investment grade' in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of 'performing'. Performing means that the counterparty has a strong financial position and there is no past due amounts. For financial guarantee contracts, the date that the Group becomes a party to the irrevocable commitment is considered to be the date of initial recognition for the purposes of assessing the financial instrument for impairment. In assessing whether there has been a significant increase in the credit risk since initial recognition of a financial guarantee contracts, the Group considers the changes in the risk that the specified debtor will default on the contract.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

Financial liabilities and equity

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

i) Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received.

Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets.

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.18 Application of IFRS 9 *Financial Instruments* (continued)

Financial liabilities and equity (continued)

The right of use of asset relates to rented cars which are depreciated over 3 years.

The right-of-use assets are also subject to impairment. Refer to the accounting policies in note 3 Impairment of non-financial assets.

ii) Lease liabilities

At the commencement date of the lease, the *Group* recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the *Group* and payments of penalties for terminating the lease, if the lease term reflects the *Group's* exercising the option to terminate.

Variable lease payments that do not depend on an index or a rate are recognised as expenses in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the *Group* uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is re measured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

iii) Short-term leases and leases of low-value assets

The *Group* applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of equipment that are considered to be low value. Lease payments on short-term leases and leases of low value assets are recognised as expense on a straight-line basis over the lease term.

The Group as lessor

The Group enters into lease agreements as a lessor with respect to some of its equipment.

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

When the Group is an intermediate lessor, it accounts for the head lease and the sub-lease as two separate contracts. The sub-lease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Subsequent to initial recognition, the Group regularly reviews the estimated unguaranteed residual value and applies the impairment requirements of IFRS 9, recognising an allowance for expected credit losses on the lease receivables. Finance lease income is calculated with reference to the gross carrying amount of the lease receivables, except for credit-impaired financial assets for which interest income is calculated with reference to their amortised cost (i.e. after a deduction of the loss allowance).

When a contract includes both lease and non-lease components, the Group applies IFRS 15 to allocate the consideration under the contract to each component.

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.18 Application of IFRS 9 *Financial Instruments* (continued)

Segment reporting

An operating segment is a component of an entity: that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity) whose operating results are reviewed regularly by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available.

Reportable segments are operating segments or aggregations of operating segments that meet specified criteria:

- its reported revenue, from both external customers and intersegment sales or transfers, is 10 per cent or more of the combined revenue, internal and external, of all operating segments, or
- the absolute measure of its reported profit or loss is 10 per cent or more of the greater, in absolute amount, of (i) the combined reported profit of all operating segments that did not report a loss and (ii) the combined reported loss of all operating segments that reported a loss, or
- its assets are 10 per cent or more of the combined assets of all operating segments.

If the total external revenue reported by operating segments constitutes less than 75 per cent of the entity's revenue, additional operating segments must be identified as reportable segments (even if they do not meet the quantitative thresholds set out above) until at least 75 per cent of the entity's revenue is included in reportable segments

Settlement prices among segments are set objectively.

The results, assets and liabilities related to a segment include elements that may be allocated directly to one segment, and elements that may be allocated on a reasonable basis.

Capital expenses related to a segment represent the total costs registered over the period for purchasing tangible and intangible assets.

Contingent assets and liabilities

A contingent liability is:

- a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group; or
- a present obligation that arises from past events that is not recognized because:
 - a. it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
 - b. the amount of the obligation cannot be measured with sufficient reliability.

Contingent liabilities are not recognized in the Group's financial statements, but disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group.

A contingent asset is not recognized in the Group's financial statements, but disclosed when an inflow of economic benefits is probable.

Subsequent events

Events occurring after the reporting date 31 December 2020, which provide additional information about conditions prevailing at the reporting date (adjusting events) are reflected in the financial statements. Events occurring after the reporting date that provide information on events that occurred after the reporting date (non-adjusting events), when material, are disclosed in the notes to the financial statements.

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4. REVENUE

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

	Year ended December 31, 2020	Year ended December 31, 2019
Revenue from sales of merchandises	20,946,816	25,272,931
Revenue from sales of raw materials	-	-
Revenues from sales of finished products	9,055,561	103,177
Revenue from rendering of services	483,359,215	517,375,739
Revenue from other activities	6,924,504	9,042,807
Total	520,286,096	551,794,655

5. OTHER EXPENSES

	Year ended December 31, 2020	Year ended December 31, 2019
Electricity expenses	4,636,139	4,859,104
Repairs	13,425,129	12,342,831
Rent expenses	8,448,480	7,710,553
Insurance expenses	6,337,416	6,183,664
Training	143,165	167,772
Transportation services	1,163,709	1,460,880
Expenses with commissions	1,301,213	811,160
Advertising and protocol expenses	900,461	1,336,953
Travel expense	373,916	595,476
Communication expenses	1,280,811	1,455,276
Tax expenses	2,424,138	2,784,077
Total	40,434,577	39,707,747

6. INVESTMENT EXPENSES / INCOME

	Year ended December 31, 2020	Year ended December 31, 2019
Income from financial investments disposed	229,746	524,577
Expenses with associates	(610,977)	(54,230)
Income from financial assets- dividends received	208,352	159,688
Other financial income	220,388	903,702
Other financial expenses	(672,496)	(1,029,591)
Income / (Expense) from financial investments	(624,988)	504,146

In 2020, revenues and expenses from financial investments include mainly dividends received from the investments of the Group. Expenses from financial investment is the loss from recording the investments through equity method through profit and loss account.

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7. OTHER GAINS AND LOSSES

	Year ended December 31, 2020	Year ended December 31, 2019
Other income	13,775,940	13,003,324
Net income / expenses from foreign exchange differences	197,538	(916,368)
Net income / (expenses) from adjustments for current assets	(983,226)	781,097
Net income / (expenses) from adjustments for non-current assets	4,471,376	-
Net income / (expenses) from adjustments for non-current assets IFRS 5	13,449	-
Net income / (expenses) from provisions	1,316,071	(2,466,901)
Net income / (expense) from services in progress	(3,943,900)	4,401,297
Own work capitalized in construction of PPE	3,131,817	1,794,301
Write off doubtful receivables	(474,613)	(2,638,179)
Other administrative expenses	(6,829,407)	(5,120,695)
Expenses related to fixed assets disposals	(2,673,659)	(3,956,596)
Total	8,001,387	4,881,279

In 2020, as also 2019 in other income caption it is mainly included penalties invoiced to the final customers, income from sales of tangible assets (CNFR), there is also a gain in amount of 2,927,428 lei from the sale/ disposal of property plant and equipment assets.

The caption related to adjustments for non-current assets includes the amount of 4,255,612 lei that is related to a reversal of impairment loss made for the building owned by one of the group subsidiaries Navrom River based on the value in use considering the new usage as offices instead of hotel considering the already signed rent contracts.

In current year there was also recorded a reversals from services in progress related to activity of the shipyards in amount of 2,840,000 lei.

Also an expense from write off of doubtful debts was recorded in amount of 2,638,179 lei mainly related to the receivables balance from Interagro was recorded in 2019. Further expenses with provisions for risks in amount of 2,466,901 lei were recorded in connection to the activity of the shipyards also in 2019.

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:

	Year ended December 31, 2020	Year ended December 31, 2019
Financial income	421,121	660,927
Bank fees and commissions	(532,834)	(767,489)
Interests on borrowings	(2,424,737)	(2,905,061)
Total	(2,536,451)	(3,011,623)

The financial income relates to the interest gained by the Group for overdrafts and short-term deposits.

The interests on borrowings relate mainly to the loans received from Unicredit Bank SA by TTS (Transport Trade Services) S.A., CNFR Navrom S.A., TTS Porturi Fluviale S.R.L., Canopus Star S.R.L., Navrom Bac S.R.L. and Fluvius kft, but also also to the overdraft received from Unicredit Bank and Citibank by CNFR Navrom SA, de TTS (Transport Trade Services) S.A., Agrimol Trade S.R.L., Navrom Bac S.R.L., Navrom Shipyard S.R.L.

This is a free translation from the original Romanian version.

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10. INCOME TAX

	Year ended December 31, 2020	Year ended December 31, 2019
Current tax expense (note 10.2)	<u>11,035,313</u>	<u>13,217,216</u>
Expenses / (Income) with deferred tax recognized in the current year (note 10.1)	<u>(206,679)</u>	<u>221,360</u>
Total	<u>10,828,634</u>	<u>13,438,576</u>

The tax rate applied for the reconciliation above for the years 2020 and 2019 is 16% in Romania.

10.1 Details regarding deferred tax

	Year ended December 31, 2020	Year ended December 31, 2019
Balance as at January 1 deferred tax liabilities	<u>7,992,550</u>	<u>7,771,190</u>
<i>Expense / (Revenue) in the period:</i>		
- generated by the revaluation reserves	(206,679)	221,360
- borrowings and others	-	-
Total impact – Profit and Loss account	<u>(206,679)</u>	<u>221,360</u>
Total impact through comprehensive income	<u>7,785,872</u>	<u>7,992,550</u>
Balance as at December, 31 deferred tax liabilities	<u>7,785,872</u>	<u>7,992,550</u>

10.2 Details regarding income tax

	Year ended December 31, 2020	Year ended December 31, 2019
Profit before tax	<u>59,084,501</u>	<u>66,725,412</u>
Income tax calculated at 16%	9,453,520	10,676,066
Effects of the non-taxable expenses	5,922,225	3,722,459
Effects of income that are exempt from taxation	(4,546,446)	(1,561,287)
Effects of other elements similar to income	206,013	379,978
Current tax in respect of the current year before fiscal losses	-	-
Tax credit	-	-
Current tax in respect of the current year	<u>11,035,313</u>	<u>13,217,216</u>

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 assessment 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:

2020	Total	Forwarding	River transport	Port Operations	Other	Intersegments
Income	520,286,096	393,436,582	294,256,801	68,500,267	47,740,468	(283,648,022)
Merchandise sold	(1,612,706)	(1,424,880)	(1,471,980)	-	(14,715,846)	-
Raw materials and consumables	(68,089,411)	(618,129)	(54,101,674)	(6,368,722)	(6,997,887)	-
Depreciation and amortization	(51,993,771)	(2,575,167)	(33,136,318)	(13,428,276)	(2,854,010)	-
Packaging costs	(11,986)	-	(7,067)	(2,096)	(2,823)	-
Subcontractors expenses	(191,214,213)	(341,687,102)	(97,854,185)	(13,936,752)	(9,872,315)	-
Payroll expenses	(96,684,881)	(9,939,556)	(52,483,338)	(18,646,699)	(15,615,288)	-
Electricity, heating and water	(4,636,139)	(157,292)	(747,355)	(2,302,678)	(1,479,630)	50,817
Maintenance and repair expenses	(13,425,129)	(1,677,864)	(13,551,190)	(3,224,386)	(249,462)	5,277,772
Other administrative expenses	(22,373,308)	(6,877,820)	(10,130,229)	(8,117,215)	(2,629,364)	5,381,319
Other gains	36,087,715	8,139,541	13,599,837	337,759	14,973,586	(963,007)
Other loss	(28,086,329)	(6,991,910)	(11,830,603)	(981,722)	(9,792,078)	1,509,985
Operating profit	62,245,940	29,626,403	32,539,698	1,829,481	(1,494,647)	(254,995)
Investment expenses	(624,988)	-	-	-	-	-
Net of finance cost/ income	(2,536,451)	-	-	-	-	-
Profit before tax	59,084,501	-	-	-	-	-
Income tax expenses	(10,828,634)	-	-	-	-	-
Profit for the year from continuing operations	48,255,867	-	-	-	-	-

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11. SEGMENT INFORMATION (continued)

Segment revenue and results

2020	Total	Forwarding	River transport	Port Operations	Other	Intersegments
Other comprehensive income for the year	-	-	-	-	-	-
Deferred tax pertaining to comprehensive income	-	-	-	-	-	-
Total comprehensive income for the year	48,255,867	-	-	-	-	-
Profit of the year attributable to:						
Attributable to:						
Equity holders of the parent	44,248,197	-	-	-	-	-
Non-controlling interests	4,007,669	-	-	-	-	-
Total comprehensive income	-	-	-	-	-	-
Attributable to:						
Equity holders of the parent	44,248,197	-	-	-	-	-
Non-controlling interests	4,007,669	-	-	-	-	-

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11. SEGMENT INFORMATION (continued)	Segment revenue and results					
2019	Total	Forwarding	River transport	Port Operations	Other	Intersegments
Income	551,794,654	405,120,598	317,382,208	83,039,894	45,373,305	(299,121,351)
Merchandise sold	(18,900,043)	-	(1,577,887)	-	(17,322,156)	-
Raw materials and consumables	(92,992,346)	(228,176)	(80,904,879)	(9,462,597)	(2,475,896)	79,203
Depreciation and amortization	(54,724,918)	(2,756,944)	(32,111,313)	(12,864,338)	(6,992,323)	-
Packaging costs	(10,509)	-	(3,006)	(5,729)	(1,774)	-
Subcontractors expenses	(186,207,591)	(352,666,203)	(99,417,076)	(15,048,780)	(5,466,738)	286,391,206
Payroll expenses	(94,899,893)	(9,514,641)	(50,402,542)	(18,447,200)	(16,535,510)	-
Electricity, heating and water	(4,859,104)	(170,533)	(600,335)	(2,309,091)	(1,833,835)	54,690
Maintenance and repair expenses	(12,342,835)	(2,003,500)	(12,734,173)	(3,143,710)	(536,025)	6,074,573
Other administrative expenses	(22,505,811)	(6,482,950)	(9,768,961)	(7,862,849)	(3,549,776)	5,158,724
Other gains	30,662,120	9,629,775	13,121,655	751,099	9,772,543	(2,612,952)
Other loss	(25,780,840)	(7,873,017)	(11,038,468)	(1,431,903)	(8,008,719)	2,571,266
Operating profit	69,232,888	33,054,410	31,945,223	13,214,796	(7,576,903)	(1,404,640)
Investment expenses	504,146	-	-	-	-	-
Net of finance cost/ income	(3,011,622)	-	-	-	-	-
Profit before tax	66,725,412	-	-	-	-	-
Income tax expenses	(13,438,576)	-	-	-	-	-
Profit for the year from continuing operations	53,286,836	-	-	-	-	-

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11. SEGMENT INFORMATION (continued)

Segment revenue and results

2019	Total	Forwarding	River transport	Port Operations	Other	Intersegments
Other comprehensive income for the year	-	-	-	-	-	-
Deferred tax pertaining to comprehensive income	-	-	-	-	-	-
Total comprehensive income for the year	53,286,836	-	-	-	-	-
Profit of the year attributable to:						
Attributable to:						
Equity holders of the parent	47,675,116	-	-	-	-	-
Non-controlling interests	5,611,720	-	-	-	-	-
Total comprehensive income	-	-	-	-	-	-
Attributable to:						
Equity holders of the parent	47,675,116	-	-	-	-	-
Non-controlling interests	5,611,720	-	-	-	-	-

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11. SEGMENT INFORMATION (continued)

Segment revenue and results (continued)

The Group's analysis of income and results from continued operations by reportable segments is presented below:

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

2020	TOTAL	Forwarding	River transport	Port Operations	Others	Intersegments
Total	520,286,096	393,436,582	294,256,801	68,500,267	47,740,468	(283,648,021)
Agricultural products	171,207,307	148,022,124	88,268,450	45,226,770	-	(110,310,037)
Chemical Products	45,143,789	42,288,781	28,383,101	10,178,070	-	(35,706,163)
Minerals	186,603,075	155,284,120	146,445,892	7,656,810	-	(122,783,746)
Other merchandise	15,485,084	-	15,485,084	-	-	-
Other services	101,846,841	47,841,557	15,674,274	5,438,617	47,740,468	(14,848,075)
2019	TOTAL	Forwarding	River transport	Port Operations	Others	Intersegments
Total	551,794,654	405,120,598	317,382,208	83,039,894	45,373,305	(299,121,351)
Agricultural products	180,628,080	147,492,951	82,118,932	58,146,177	-	(107,129,980)
Chemical products	49,239,653	43,675,413	29,287,461	11,979,781	-	(35,703,002)
Minerals	210,378,550	175,763,062	167,801,644	7,945,611	-	(141,131,767)
Other merchandise	15,879,166	-	15,879,166	-	-	-
Other services	95,669,205	38,189,172	22,295,004	4,968,325	45,373,305	(15,156,601)

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

	December 31,
	2020
Segment assets 2020	75,163,265
Forwarding	75,163,265
River transport	434,123,426
Port operations	173,101,044
Others	60,840,614
Total segment assets	743,228,349
Assets held for sale	-
Unallocated assets	
Investment in the investee	7,596,793
Total assets	750,825,142
Segment liabilities	December 31,
	2020
Forwarding	15,609,439
River transport	34,864,670
Port operations	4,652,456
Others	8,530,222
Total segment liabilities	63,656,787
Unallocated liabilities	December 31,
	2020
Long-term borrowings	23,113,632
Deferred tax liabilities	7,785,872
Other non-current liabilities	369,503
Leasing	115,414
Short-term borrowings	50,801,555
Other current liabilities	-
Total liabilities	145,842,763

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11. SEGMENT INFORMATION (continued)

Other segment information (continued)

	December 31, 2019
Segment assets 2019	
Forwarding	89,048,786
River transport	423,091,749
Port Operations	177,866,101
Others	64,237,000
Total segment assets	754,243,636
Assets held for sale	3,351,341
Unallocated assets	
Investment in the investee	8,183,373
Total assets	765,778,350
	December 31, 2019
Segment liabilities	
Forwarding	19,206,437
River transport	33,313,236
Port operations	5,929,687
Others	16,243,771
Total segment liabilities	74,693,131
	December 31, 2019
Unallocated liabilities	
Long-term borrowings	46,058,930
Deferred tax liabilities	7,992,550
Other non-current liabilities	382,313
Leasing	461,844
Short-term borrowings	62,894,813
Other current liabilities	-
Total liabilities	192,483,579

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

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11. SEGMENT INFORMATION (continued)

Other segment information

Depreciation and amortization	2020
Forwarding	2,575,167
River transport	33,136,319
Port operations	13,428,276
Others	2,854,010
	51,993,772

Additions to non-current assets net of commissioned assets from WIP	2020
Forwarding	2,211,051
River transport	54,261,855
Port operations	11,840,538
Others	1,293,791
	69,607,235

Depreciation and amortization	2019
Forwarding	4,047,044
River transport	29,563,667
Port operations	11,574,237
Others	3,389,264
	48,574,213

Additions to non-current assets net of commissioned assets from WIP	2019
Forwarding	800,340
River transport	56,714,356
Port operations	7,778,896
Others	3,741,077
	69,034,669

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12. PROPERTY, PLANT AND EQUIPMENT	Land	Buildings	Plant and equipment	Ships	Fixtures and furniture	Tangible assets in progress and advances for fixed assets	Total
COST							
Balance as at January 1, 2020	9,631,811	160,934,885	149,084,502	386,475,673	3,597,053	35,810,296	745,534,220
Increases	1,037,341	22,558,815	16,732,477	48,769,721	432,731	65,913,031	155,444,117
Disposals	287,087	220,483	2,084,562	1,867,638	271,862	86,053,179	90,748,810
Spin off cost	-	-	-	-	-	-	-
Held for sale reclassification	-	-	-	-	-	-	-
Revaluation impact	-	-	-	-	-	-	-
Balance as at December 31, 2020	10,382,067	183,273,217	163,768,417	433,377,756	3,757,922	15,670,148	810,229,527
ACCUMULATED DEPRECIATIONS							
Balance as at January 1, 2020	140,931	43,444,582	78,496,005	57,971,532	2,376,979	-	182,430,028
Depreciation expense	15,406	5,690,892	14,561,351	30,636,409	356,461	-	51,260,519
Disposals	-	100,616	1,140,097	1,353,239	258,022	-	2,851,975
Spin off effect depreciation	-	-	-	-	-	-	-
Revaluation impact	-	-	-	-	-	-	-
Provision	-	4,304,240	-	-	-	-	4,304,240
Balance as at December 31, 2020	156,337	44,730,617	91,917,258	87,254,702	2,475,417	-	226,534,332
NET BOOK VALUE							
As at December 31, 2019	9,490,880	117,490,304	70,588,497	328,504,141	1,220,074	35,810,296	563,104,192
As at December 31, 2020	10,225,730	138,542,599	71,851,158	346,123,055	1,282,505	15,670,148	583,695,195

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12. PROPERTY, PLANT AND EQUIPMENT (continued)	Land	Buildings	Plant and equipment	Ships	Fixtures and furniture	Tangible assets in progress and advances for fixed assets	Total
COST							
Balance as at January 1, 2019	15,060,392	183,668,659	141,220,679	355,870,551	4,822,712	21,076,112	721,719,106
Increases	202,196	6,280,717	10,682,660	36,460,450	545,803	61,744,474	115,916,301
Disposals	43,270	55,016	1,393,577	5,855,328	122,977	47,010,291	54,480,457
Spin off cost	5,587,507	25,608,134	1,425,261	-	1,648,486	-	34,269,387
Held for sale reclassification	-	3,351,341	-	-	-	-	3,351,341
Revaluation impact	-	-	-	-	-	-	-
Balance as at December 31, 2019	9,631,811	160,934,885	149,084,502	386,475,673	3,597,053	35,810,296	745,534,220
ACCUMULATED DEPRECIATIONS							
Balance as at January 1, 2019	111,965	33,585,253	67,032,068	30,993,319	2,310,625	-	134,033,231
Depreciation expense	28,966	5,602,775	14,045,623	27,386,356	358,222	-	47,421,941
Disposals	-	55,016	1,895,912	408,143	-	-	2,359,071
Spin off effect depreciation	-	1,796,933	685,774	-	291,868	-	2,774,575
Revaluation impact	-	-	-	-	-	-	-
Provision	-	6,108,502	-	-	-	-	6,108,502
Balance as at December 31, 2019	140,931	43,444,582	78,496,005	57,971,532	2,376,979	-	182,430,028
NET BOOK VALUE							
As at December 31, 2018	14,948,427	150,083,406	74,188,611	324,877,232	2,512,086	21,076,112	587,685,875
As at December 31, 2019	9,490,880	117,490,304	70,588,497	328,504,141	1,220,075	35,810,296	563,104,192

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12. PROPERTY, PLANT AND EQUIPMENT (continued)

As at December 31, 2017 the plant and equipment class (ships category) was revalued by an ANEVAR member company, Elf Expert. The method used by the evaluator was the cost approach and market value approach. The impact of the revaluation methods used was an increase of 72,116,901 RON and a decrease of 2,212,218 RON.

The Group has recorded as at December 31, 2019, an impairment loss for fixed assets in amount of 6,108,502 RON for the hotel in Galati based on value in use fair value established through a valuation report and some ships owned by CNFR Navrom based on their current status. The impairment happened due to low usage of the hotel in the past years and low revenues estimated for the next years. During 2020, a reversal of 4,304,240 ron was recorded based on an update to the revaluation report due to change in value in use determined based on decision to use the hotel as offices and rent contracts signed already with some clients. The asset belongs to Others segment.

The increase includes additions due to acquisition of subsidiary Port of Fajsz Kft in the amount of 808,929 RON.

13. GOODWILL

COST	Year ended December 31, 2020	Year ended December 31, 2019
Balance at beginning of year	<u>3,846,603</u>	<u>2,943,521</u>
Combinations occurring during the year	<u>-</u>	<u>903,082</u>
Balance at end of year	<u>3,846,603</u>	<u>3,846,603</u>

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 TTS Porturi Fluviale SRL 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. In 2019, the Group acquired 100% of the company Port of Fajsz kft , Ungaria, resulting in an amount of 903.082 lei.

The Group reviewed as at December 31, 2020 for impairment the goodwill and concluded that there is no need to adjust the amount booked based on management projections of cash flows for next periods.

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14. OTHER INTANGIBLE ASSETS

	Other intangible assets	Total
COST		
As at December 31, 2018	7,979,205	7,979,205
Additions	855,340	855,340
Disposals	1,149,717	1,149,717
Spin off disposals	1,434,078	1,434,078
As at December 31, 2019	6,250,751	6,250,751
Additions	216,297	216,297
Disposals	230,693	260,393
As at December 31, 2020	6,236,355	6,236,355
ACCUMULATED DEPRECIATION		
As at December 31, 2018	3,604,947	3,604,947
Amortization for the year	1,152,272	1,152,272
Amortization pertaining to disposals	1,026,722	1,026,722
Fair value adjustment	-	-
As at December 31, 2019	3,730,497	3,730,497
Amortization for the year	733,253	733,253
Amortization pertaining to disposals	165,236	165,236
As at December 31, 2020	4,298,514	4,298,514
Net book value as at December 31, 2018	4,374,257	4,374,257
Net book value as at December 31, 2019	2,520,253	2,520,253
Net book value as at December 31, 2020	1,937,840	1,937,840

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 alue in use exceeds the carrying amounts at which they are reflected in the financial position as at December 31, 2020 and December 31, 2019.

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15. INVESTMENTS IN ASSOCIATES

Name of investment	Core business	Holding percentage 12/31/2020	Cost of the investment 12/31/2020	Post- acquisition change in the share of net assets of the investee	Carrying amount of the investment 12/31/2020	Cost of the investment 12/31/2019	Post- acquisition change in the share of net assets of the investee	Carrying amount of the investment 12/31/2019
Transterminal-S S.R.L.	Transport feroviar de marfă	20%	147,339	4,317,259	4,464,598	147,339	4,934,282	5,081,621
Navrom Port Service S.A.	River transportation of goods	45.99%	878,700	2,169,530	3,048,230	878,700	2,163,484	3,042,184
For Serv Drum S.R.L.			559,493	(559,493)	-	559,493	(559,493)	-
Alte investiții			83,965		83,965	59,569	-	59,569
TOTAL VALUE OF THE INVESTMENT IN THE ASSOCIATES					7,596,793			8,183,373

In November 2019, the asymmetric spin off project nr. 129/20.03.2019 was finalized based on which the activity of administration of the Group non-core investments namely hotels, rail transportation and activity of renting and subrenting were spinned off as independent branches. The investment held in CARGO TRANS VAGON SA in amount of 19,112,552 lei was spinned off to the new set up company TTS ADRENT CONSULT S.R.L.

In 2019, the Company ceased the investment in Cargo Trans Bulgaria in value of 54,230 lei. The Companies Management NFR SA, Gif Leasing IFN and For Serv Drum SRL are in advanced stages of the bankruptcy procedures.

Investment in associates are accounted using the equity method, putting through profit and loss the share of the result of the associate belonging to the Group. The Group exerts significant influence over the associates.

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16. OTHER LONG-TERM ASSETS

	Year ended December 31, 2020	Year ended December 31, 2019
Long term receivables	4,101,983	4,116,889
Total	4,101,983	4,116,889

As at December 31, 2020 long-term receivables is included the value to be recovered from Europolis 4,101,983 lei (2019: 4,116,889 lei) related to the sale of fixed assets.

17. INVENTORIES

	Year ended December 31, 2020	Year ended December 31, 2019
Consumables	16,572,646	17,711,623
Small tools	712,776	656,069
Goods	3,748,635	6,574,594
Goods with third parties	364,945	340,735
Work in progress-	4,715,119	10,555,485
Services in progress-	2,077,262	324,052
Packages	7,788	13,405
Impairment of materials	(2,525,595)	(3,054,752)
Impairment for work in progress	(2,071,334)	(2,177,113)
Impairment for small tools	(611,365)	(474,569)
Impairment of packages	(618)	(7,012)
Total	22,990,259	30,462,518

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 and Cernavoda Shipyard.

The services in progress are related to services rendered by Navrom Shipyard, Cernavoda Shipyard for various projects. In 2020, a value adjustment was recorded for the services in progress in amount of 2,071,334 lei (2019: 2.177.113 lei).

18. TRADE AND OTHER RECEIVABLES

	Year ended December 31, 2020	Year ended December 31, 2019
Trade receivables	74,552,043	87,643,219
Allowance for doubtful receivables	(23,112,964)	(24,250,743)
Advances paid to suppliers of services	3,193,181	3,247,631
Other receivables	42,486	3,118,591
Total	54,674,745	69,758,698

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18. TRADE AND OTHER RECEIVABLES (continued)

Movement in the allowance for doubtful debts:

	Year ended December 31, 2020	Year ended December 31, 2019
Balance at the beginning of the year	24,250,743	27,003,840
Write off bad debts	(474,613)	(2,753,097)
Recovered	(663,166)	-
Balance at the end of the year	23,112,964	24,250,743

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, 2020	Year ended December 31, 2019
Amounts paid in advance	1,764,505	1,568,710
Sundry debtors	12,847,808	10,278,850
Allowance for sundry debtors	(10,769,495)	(8,151,202)
Taxes receivable from state budget (VAT)	7,730,825	7,989,931
Other current assets	5,247,552	6,354,801
Total	16,821,195	18,041,090

Sundry debtors mainly includes sundry debtors from Comcereal SA in amount of 3,565,113 lei, For Serv Drum S.R.L. in amount of 2,659,946 lei, Masini-Hibrid Construct S.R.L. in amount of 749,953 lei. All the mentioned amounts are also included in the allowance for sundry debtors. Another amount included in sundry debtors is also from the sale of two ships to Europolis.

Ageing analysis details of trade receivables is presented below:

Year	Total	Not due	0-30 days	30-90 days	91-180 days	181-365 days	over 365 days (net of allowance)
2020	71,495,940	40,528,799	21,971,446	3,212,999	1,154,760	2,984,017	1,643,919
2019	87,799,788	38,810,509	34,364,705	11,012,833	434,493	1,460,299	1,716,949

The average credit period on sales invoices is 45-60 days. No interest is charged on outstanding trade receivables.

The Group always measures the loss allowance for trade receivables at amount equal to lifetime ECL. The expected credit losses on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date. The Group has recognized a loss allowance of 100% for all receivables past 270 days past due because historical experience has indicated these receivables are generally not recoverable.

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19. OTHER CURRENT ASSETS (continued)

There has been no change in the estimation techniques or significant assumptions made during the current reporting period.

The Group writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery e.g. when the debtor has been placed under liquidation.

The following table details the risk profile of amounts due from customers based on Group's provision matrix. As the Group's historical credit loss experience does not show significantly different patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished between Group's different customer base:

	<u>December 31, 2020</u>	<u>December 31 2019</u>
Expected total gross carrying amount at default amounts not past due	40,528,799	38.810.509
	-	-
Net carrying amount	<u>40,528,799</u>	<u>38.810.509</u>

20. ASSETS HELD FOR SALE

As at December 31, 2019, the assets held for sale includes mainly a building for which the Company had clear plans to sell which were realized during 2020.

21. ISSUED CAPITAL

	<u>Number of shares</u>	<u>Share capital</u>
Balance at 31 December, 2018	<u>30,000,000</u>	<u>31,739,601</u>
No. of shares after reduction of the nominal value		
Divizare	(8,525,000)	(8,525,000)
Increase	<u>8,525,000</u>	<u>8,525,000</u>
Balance at 31 December, 2019	<u>30,000,000</u>	<u>31,739,601</u>
No shares after reduction of the nominal value		
Issue of shares	-	-
Balance at 31 December, 2020	<u>30,000,000</u>	<u>31,739,601</u>

On March 23, 2018 the Company bought back from IFC (one of the shareholders) a number of 1,333,150 shares representing 4.2548%, further to which IFC no longer holds any shares in TTS. Also, the shareholders decided to decrease the share capital by the cancellation of the redeemed shares. Further to such capital decrease, the share capital is in amount of RON 30,000,000 and an inflated value of RON 31,739,601.

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 46,218,631. 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.

In November 2019 the asymmetric spin off project nr. 129/20.03.2019 was finalized based on which the activity of managing the non core investments like hotels, rail transport and activity to rent and subrent good, as independent branches, was spinned off. The net asset transferred to the new Company, TTS Adrent Consult SA, set up through the spin off is in amount of 52,600,023 lei. The share capital of TTS Adrent Consult SA is in amount of 8,525,000 lei. Following the spin off, the share capital of the Company amounted to 21,475,000 lei.

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21. ISSUED CAPITAL (continued)

On November 20, 2019, the General Extraordinary Shareholders Meeting decided to increase the share capital of the Company with 8,525,000 lei, from 21,475,000 lei to 30,000,000 lei, using part of the profit not distributed from prior years.

On April 28, 2020, the Extraordinary Shareholders meeting decided to settle the negative equity recognized as result of redemption of their own shares amounting 27,778,062.66 LEI with reserves in amount of 5,138,376 lei and 22,639,686.35 lei from retained earnings.

As at 31 December 2020, the Company's shareholding structure is as follows:

Shareholding structure	No. of shares	Share
Mihailescu Alexandru Mircea	15,120,000	50,4000%
Stanciu Ion	4,242,400	14,1413%
Stefan Viorel	3,030,300	10,1010%
Peter Hungerbuhler	2,757,300	9,1910%
Hartan Constantin	1,515,150	5,0505%
Stefanut Petru	909,100	3,0303%
Petrea Silviu Catalin	453,050	1,5102%
Stefan Jancovschi Daniel	453,050	1,5102%
Stoean Antonio Gabriel	453,050	1,5102%
Moldoveanu Aurel Florin	303,050	1,0102%
Simion Daniela Camelia	303,050	1,0102%
Alexandrescu Florin	153,500	0,5117%
Cismeck Aurelia Mihaela	153,500	0,5117%
Miron Mihaela	153,500	0,5117%
Total	30,000,000	100%

As at 31 December 2019, the Company's shareholding structure is as follows:

Shareholding structure	No. of shares	Share
Mihailescu Alexandru Mircea	14,847,000	49,4900%
Stanciu Ion	4,242,400	14,1413%
Stefan Viorel	3,030,300	10,1010%
Peter Hungerbuhler	3,030,300	10,1010%
Hartan Constantin	1,515,150	5,0505%
Stefanut Petru	909,100	3,0303%
Petrea Silviu Catalin	453,050	1,5102%
Stefan Jancovschi Daniel	453,050	1,5102%
Stoean Antonio Gabriel	453,050	1,5102%
Moldoveanu Aurel Florin	303,050	1,0102%
Simion Daniela Camelia	303,050	1,0102%
Alexandrescu Florin	153,500	0,5117%
Cismeck Aurelia Mihaela	153,500	0,5117%
Miron Mihaela	153,500	0,5117%
Total	30.000.000	100%

The inflated value of the share capital (resulting from hyperinflation in the past) at 31 December 2020 is 31,739,602 lei (2019: 31,739,602 lei)

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22. RESERVES

	Year ended December 31, 2020	Year ended December 31, 2019
Legal reserves	6,000,000	5,968,175
Revaluation reserves	63,894,161	63,894,161
Share premiums	-	-
Other reserves	153,627,853	158,720,643
Total	223,522,014	228,582,979

The main lines from reserves are related to the profits generated by the Group and from redemption of own shares that were transferred to reserves which can be used according to the fiscal regulations (other reserves are available to distribution to shareholders, legal reserves are available only to cover retained losses).

23. NON-CONTROLLING INTERESTS

	Year ended December 31, 2020	Year ended December 31, 2019
Balance at 1 January	102,215,786	97,167,164
Share of profit for the year	4,007,669	5,611,720
Increase/ (Decrease) of the Non-controlling interest - contribution	(923,682)	(563,098)
Balance at 31 December	105,299,772	102,215,786

24. INTEREST BEARING LOANS AND BORROWINGS

	Year ended December 31, 2020	Year ended December 31, 2019
Secured borrowings		
Short-term borrowings	26,074,928	34,593,180
Current part of long term borrowings	24,726,627	28,301,633
Long-term borrowings		
Long-term borrowings	23,113,632	46,058,930
Total short- and long-term borrowings	73,915,187	108,953,743

The variation in interest bearing loans and borrowings mainly refers to changes from financing cash flows.

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24. INTEREST BEARING LOANS AND BORROWINGS (continued)

Amounts due to credit institutions

TTS SA has the following loans contracted from Unicredit Bank SA:

Short term:

- overdraft and bank letters of guarantee in amount of EUR 1,500,000, due on January 31, 2022, not drawn at December 31, 2020.
- Treasury line with a total value of 1,000,000 EUR, with a maturity date on 31.01.2022. The line is not used as at 31.12.2020

Long term:

- a loan in amount of EUR 7,000,000 due on April 12, 2022, repayable in 8 semi-annual instalments of EUR 875,000 each. The outstanding amount at December 31, 2020 is EUR 1,750,000 equivalent of 8,521,450 lei balance remained to be repaid until December 31, 2020 with possibility of to postpone the last rate until due date.

All loans from Unicredit Bank are secured by the mortgage on the buildings owned by the Company in Vaselor Street no. 27, the land in Bucharest, Silos in Giurgiu.

The following covenants were mentioned in the contract:

- Current ratio must be over 1
- Debt Service ratio over 1.1
- 70% of the annually turnover is to be routed through its current accounts.

The Company complies with the above covenants as at December 31, 2020.

The Company contracted a credit line in amount of EUR 1,000,000 from Citibank Europe PLC, Dublin-Romania Branch as per contract 8212/CB/2017 with automatic renewal for periods of 1 year, not drawn at December 31, 2020

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 and Fluvius kft.

CNFR Navrom has the following loans contracted from Unicredit Bank SA:

- multi-purpose credit facility (umbrella with Navrom River) with an outstanding amount of 2,169,033 lei, out of which the total amount drawn as at December 31, 2020 was EUR 445,442. The maximum available ceiling for both borrowers is EUR 3,000,000. The due date is January 31, 2022 for amounts drawn as overdrafts – overheads and January 31, 2022 for amounts used as letters of guarantee.

The loan are secured by:

- mortgage on the real estate property of Navrom – land located in Galati on Strada Portului nr. 23, lot 2-5, Galati county;
- mortgage on the receivable of Navrom against debtor Arcelor Mittal;
- fidejussion issued by TTS;
- mortgage on all the receivables, bank accounts, collateral account and deposits in the accounts of Navrom River SRL;

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24. INTEREST BEARING LOANS AND BORROWINGS (continued)

Amounts due to credit institutions (continued)

CNFR Navrom registers 2 loan contracts from Citibank:

- term loan to finance the upgrading of the fleet and extension of its capacity, regarding the ships held. The amount granted is EUR 6,500,000 of which as at December 31, 2020 the company used EUR 2,736,842 equivalent of 13,326,778 lei.
- overdraft loan available in RON and EUR – the maximum amount available is EUR 2,000,000 with an outstanding amount at December 31, 2020 of 5,085,811 lei equivalent of EUR 1,044,443.
- Treasury line with a total value of EUR 700,000 to be used as follows: EUR 400.000 EUR for hedging operations swap on debt rate and EUR 300,000 for hedging operations on exchange rate . The line is not used as at 31.12.2020

On October 15, 2013, Canopus Star SRL 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 loan was transferred during 2015 to Unicredit Bank SA 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 Bank SA due in 31 May 2021 – used amount as at 31.12.2020 is EUR 718,750 (Equivalent of 3,499,866 lei);
- EUR 2.000.000 are related to a credit line for treasury transaction (IRS transaction or swap on interest).

In accordance with the contract with Citi Bank the following have to be complied by Canopus as of December 31, 2020:

- 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, 2020.

The balance of the loan taken by Canopus Star SRL from Citibank SA is EUR 718,750 (3,499,886 lei) classified on short term.

Fluvius KFT contracted a loan from Citibank due on October 31, 2025 to refinance lease balances. The outstanding amount is EUR 2,187,500,(equivalent of 10,651,813 lei) of which as at December 31, 2020, EUR 125,000 equivalent of 608,675 lei short term and EUR 2.062.500 equivalent of 10,043,138 lei long term.

In 2019 Fluvius kft received a loan of EUR 300.000 (equivalent of 1,460,820 lei) out of which 50,000 EUR (equivalent 243,470 lei) on short term and long term the amount of 250,000 EUR (equivalent of 1,217,350 lei).

TTS Porturi Fluviale SRL has a loan from Citibank in amount of EUR 1,500,000 due on November 29, 2022 and an outstanding amount of EUR 631,579 (3,075,411 lei) as at December 31, 2020.

The subsidiary has also an overdraft line in amount of EUR 500,000, outstanding balance at December 31,2020 in amount of EUR 472,817 equivalent of 2,302,335 lei.

In 2019, Navrom Bac S.R.L contracted an investment loan form Citibank , EUR 1.500.000 (equivalent of 7,304,100 lei) out of which EUR 750.000 (equivalent of 3,652,050 lei), classified as short term and the rest of the amount on long term.

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24. INTEREST BEARING LOANS AND BORROWINGS (continued)

Navrom Shipyard SRL has contracted a multi-purpose credit guarantee in amount of EUR 2,300,000 from Unicredit Bank of which the value used at December 31, 2020 is EUR 1,775,975 equivalent of 8,647,932 lei and a treasury line of 7.200.00 lei also by Unicredit Bank, of which the value used at December 2020 is 261,687 lei.

At December 31, 2020, Agrimol Trade SRL had one non-binding credit facility in maximum approved amount of EUR 1,710,000 for working capital. The outstanding amount as at December 31, 2020 is EUR 1,262,314 equivalent of 6,146,713 lei.

25. TRADE AND OTHER PAYABLES

	Year ended December 31, 2020	Year ended December 31, 2019
Trade payables	26,580,325	33,254,570
Payables regarding invoices to receive	1,304,093	2,575,510
Advance payments from customers	1,019,268	2,888,394
Total	28,903,685	38,718,474

26. PROVISIONS

	Year ended December 31, 2020	Year ended December 31, 2018
Provisions for risks and charges	5,008,685	6,324,756
Total	5,008,685	6,324,756

Included in the caption of provision for risk and charges is the amount of 3,119,511 lei with partner APDF Galati related to price differences currently under litigation, also 1,159,040 lei for risk related to a sale transaction with Cristalmin where there is also an ongoing litigation. The amounts have been provided for according to the winning chances estimated by the lawyers representing the company in these cases.

27. OTHER CURRENT LIABILITIES

	Year ended December 31, 2020 RON	Year ended December 31, 2019 RON
Employees related payables	5,319,300	4,910,715
Social security payable	3,263,018	3,554,120
Income tax payable	3,646,963	4,421,134
Tax on salaries payable	740,578	717,085
Interest payable	51,836	72,030
Other non-commercial liabilities	7,693,414	5,367,003
Liabilities related to VAT	2,292,350	909,909
Sundry creditors	6,736,958	9,697,903
Total	29,744,417	29,649,900

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27. OTHER CURRENT LIABILITIES (continued)

Other non-commercial liabilities include: 6.647.451 lei (2019: 4,087,589 lei) subsidies for fixed assets. During 2020, an amount of 5,457,561 lei was cashed in as subsidies for fixed assets by Navrom Bac.

The grant received is related to an investment made by Navrom Bac as a subsidy for an equipment. The grant was recognized as result of meeting the financing criteria. The liabilities in relation to subsidies for fixed assets are released to income (presented as other income in PL caption Other Gains and Losses of 217,897 lei during the useful period of the assets acquired as the depreciation expense is recorded.

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, 2020 and December 31, 2019 was the following:

	Year ended December 31, 2020	Year ended December 31, 2019
Long term borrowings	23,113,632	46,058,930
Total equity and reserves	499,682,605	471,078,986
Gearing	4.63%	9.78%

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:

2020	EUR	USD	HUF	GBP	RON	31-Dec-20
	1 EUR =4.8694	1 USD = 3.9660	100 HUF =1.3356	1 GBP = 5.4201	1	Total
	RON	RON	RON	RON	RON	RON
ASSETS						
Cash and cash equivalents	19,188,643	3,626,527	724,519	117	31,620,723	55,160,529
Receivables and other current assets	39,956,222	12,114,160	1,990,693	-	17,434,864	71,495,940
Other long-term receivables	-	-	-	-	-	-
LIABILITIES						
Trade payables and other payables	(30,840,716)	(2,788,568)	(3,037,904)	(4,878)	(21,976,037)	(58,648,104)
Short- and long-term borrowings	(73,644,649)	-	-	-	(270,537)	(73,915,186)
Net balance sheet exposure	(45,340,500)	12,952,119	(322,692)	(4,761)	26,809,013	(5,906,821)
2019						
	EUR	USD	HUF	GBP	RON	31-Dec-19
	1 EUR =4.7793	1 USD =4.2608	100 HUF =1.4459	1 GBP = 5.6088	1	Total
	RON	RON	RON	RON	RON	RON
ASSETS						
Cash and cash equivalents	25,843,566	1,676,261	324,591	121	34,548,853	62,393,392
Receivables and other current assets	53,500,441	5,325,624	3,705,263	-	25,268,461	87,799,789
Other long-term receivables	-	-	-	-	-	-
LIABILITIES						
Trade payables and other payables	(16,235,641)	(302,299)	(4,672,336)	-	(47,158,098)	(68,368,373)
Short- and long-term borrowings	(78,765,522)	-	-	-	(30,188,220)	(108,953,742)
Net balance sheet exposure	(15,657,156)	6,699,586	(642,482)	121	(17,529,004)	(27,128,935)

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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, 2020 and as at December 31, 2019 are:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
EUR	4.8694	4.7793
USD	3.9660	4.2608
	<u>Year ended December 31, 2020</u>	<u>Year ended December 31, 2019</u>
Profit or loss	(3,271,583)	(959,993)

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

Currency	<u>Year ended December 31, 2020</u>	<u>Year ended December 31, 2019</u>
EUR	(4,534,050)	(1,565,716)
USD	1,295,212	669,959
HUF	(32,269)	(64,248)
GBP	(476)	12
Total	(3,271,583)	(959,993)

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)

2020	1 - 2 years			Total
	Less than 1 year	1 - 2 years	2 - 5 years	
<i>Not bearing interest</i>				
Trade payables and other current payables	58,648,103	-	-	58,648,103
Receivables and other current assets	71,495,940	-	-	71,495,910
Other long-term receivables	-	4,101,983	-	4,101,983
<i>Interest bearing instruments</i>				
Long- and short-term borrowings	50,801,555	13,313,964	9,799,668	73,915,187
Cash and cash equivalents	55,160,530	-	-	55,160,530
2019				
<i>Not bearing interest</i>				
Trade payables and other current payables	68,368,374	-	-	68,368,374
Receivables and other current assets	48,503,609	-	-	48,503,609
Other long-term receivables	-	4,116,889	-	4,116,889
<i>Interest bearing instruments</i>				
Long- and short-term borrowings	62,894,813	46,058,930	-	108,953,743
Cash and cash equivalents	62,393,392	-	-	62,393,392

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28. FINANCIAL INSTRUMENTS (CONTINUED)

Sensitivity analysis for variable rate instruments

A change of 1% in interest rates at the reporting date would have increased (decreased) profit or loss by the amounts shown below.

This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

December 31, 2020	1% increase	1% decrease
Long and short term borrowings	(739,152)	739,152
Financial liabilities interest sensitivity	(739,152)	739,152
December 31, 2019	1% increase	1% decrease
Long and short term borrowings	(1,089,537)	1,089,537
Financial liabilities interest sensitivity	(1,089,537)	1,089,537

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, 2020	Year ended December 31, 2019
Cash in banks	52,982,792	61,377,970
Petty cash	295,080	365,942
Cash equivalents	1,882,658	649,480
Total	55,160,530	62,393,392

30. COMMITMENTS AND CONTINGENCIES

Contingent liabilities

Taxation

Taxation system in Romania is still developing trying to consolidate and harmonize with the European legislation. In this respect, there still are various interpretations of the tax laws. In certain cases, tax authorities may treat differently certain aspects and calculate supplementary taxes and levies and related interests and penalties.

In 2020, the interest value is 0.02% for each day of delay; the delay penalties are 0.01% for each day of delay.

In Romania, the fiscal year stays open for verifications during 5 years. The management estimates that the tax liabilities included in these financial statements are adequate.

In accordance with the provisions issued by the Ministry of Public Finance, which regulate the tax regime of items of equity which have not been subject to income tax as at their accounting registration, due to their nature, should the Company change the destination of revaluation reserves (by covering losses or allocation to shareholders), it will incur additional income tax liabilities

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30. COMMITMENTS AND CONTINGENCIES (continued)

Environmental matters

Environmental regulations are developing in Romania, and the Company did not register any liabilities as at December 31, 2020 or December 31, 2019 for any estimated costs, including legal and consulting fees, site surveys, the design and implementation of recovery plans as regards the environment

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.

31. SPIN OFF

In November 2019, the asymmetrical spin off project nr .129/20.03.2019 was finalized according to which the activity related to the administration of the associates dealing in non- core activities for the group like hotels, rail transportation and renting and subrenting goods were spinned off as independent activities.

The net asset transferred to the new Company set up following the spin off, namely TTS Adrent Consult SA (owned by the same shareholders as the Company), is in amount of 52,600,023 lei. The share capital of TTS ADRENT CONSULT S.A. is in amount of 8,525,000 lei.

Following the spin off process, the following financial lines of Group were affected:

Net book value of tangibles assets	(31,494,813)
Net book value intangible	(1,434,078)
Receivables	(19,562)
Liabilities	(37,862)
Investments in associates (Cargo Trans Vagon)	(19,128,887)
Share capital	8,525,000
Retained earning	44,075,023
Minority interest	(133,457)
Cash at bank	(351,364)

Spin off project was treated through equity accounts without having an impact on the profit and loss account for the year ended December 31, 2019.

32. SUBSEQUENT EVENTS

In September 2020, The Group's management decided the merger of CNFR Navrom SA with Navrom River in 2021

No other subsequent events occurred

These consolidated financial statements have been approved by the Board of Directors, and authorized to be issued on April 9, 2021.

ȘTEFĂNUȚ PETRU
GENERAL DIRECTOR



NICOLETA FLORESCU,
FINANCIAL DIRECTOR

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