

**TURISM, HOTELURI, RESTAURANTE MAREA NEAGRA S.A., a company managed in a two-tier system**

**CONSOLIDATED FINANCIAL STATEMENTS AT DECEMBER, 31 2018**

**Prepared in accordance with International Financial Reporting Standards as adopted by the EU**

**TURISM, HOTELURI, RESTAURANTE MAREA NEAGRA SA**

**CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018**

**(All amounts are presented in RON)**

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*Translator's explanatory note : This is a free translation of the original Romanian financial statements of Tursim, Hoteluri, Restaurante MareaNeagră SA. In the event of any discrepancy between this translation and the original document, the original Romanian financial statements shall prevail.*

**TURISM, HOTELURI, RESTAURANTE MAREA NEAGRA SA, a company managed in a two-tier system**

**STATEMENT OF CONSOLIDATED PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME  
FOR THE FINANCIAL YEAR ENDED AT 31 DECEMBER 2018**

(All amounts are presented in RON)

| For the financial year ended at 31 December                             | Note | Row       | (RON)              | (RON)             |
|---|------|-----------|--------------------|-------------------|
|   |      |           | 2018               | 2017              |
| <b>Continuing operations</b>  |      |           |                    |                   |
| Income from accommodation   |      | 1         | 29,528,562         | 21,016,132        |
| Income from catering  |      | 2         | 13,932,309         | 10,128,015        |
| Rental income   |      | 3         | 1,139,225          | 606,151           |
| Other income included in turnover                                       |      | 4         | 2,349,255          | 3,104,123         |
| Income from disposals of tangibles and non-current assets held for sale |      | 5         | 14,673,559         | 1,382,160         |
| Other income  |      | 6         | 1,842,160          | 2,749,096         |
| Revenues associated with the costs of the completed production          |      | 7         | 0                  | 0                 |
| <b>Total Operational Income</b>   |      | <b>8</b>  | <b>63,465,070</b>  | <b>38,985,678</b> |
| Expenses related to inventories   |      | 9         | 7,613,704          | 6,225,155         |
| Utility expenses  |      | 10        | 2,781,227          | 2,279,987         |
| Employee benefits expense   |      | 11        | 14,086,307         | 12,237,858        |
| Depreciation and amortization expenses                                  |      | 12        | 7,243,810          | 7,268,161         |
| Expenses related to disposed fixed assets and assets held for sale      |      | 13        | 7,257,886          | 712,351           |
| Other taxes   |      | 14        | 4,384,556          | 3,257,647         |
| Expenses related to external services                                   |      | 15        | 5,644,659          | 3,583,838         |
| Other expenses  |      | 16        | 1,399,419          | 1,289,070         |
| <b>Total Operational expenses</b>                                       |      | <b>17</b> | <b>50,411,570</b>  | <b>36,854,068</b> |
| <b>The result of operational activities</b>                             |      | <b>18</b> | <b>13,053,500</b>  | <b>2,131,610</b>  |
| Financial income  |      | 19        | 361,371            | 160,920           |
| Financial expenses  |      | 20        | 2,506,099          | 113,124           |
| <b>Net financial result</b>   |      | <b>21</b> | <b>(2,144,728)</b> | <b>47,796</b>     |

**TURISM, HOTELURI, RESTAURANTE MAREA NEAGRA SA, a company managed in a two-tier system**

**STATEMENT OF CONSOLIDATED PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME  
FOR THE FINANCIAL YEAR ENDED AT 31 DECEMBER 2018**

(All amounts are presented in RON)

| For the financial year ended at 31 December       | Note | Row       | (RON)              | (RON)            |
|---|------|-----------|--------------------|------------------|
|   |      |           | 2018               | 2017             |
| <b>Result before taxation</b>                     |      | <b>22</b> | <b>10,908,772</b>  | <b>2,179,406</b> |
| <i>Current income tax expense</i>                 |      | 23        | 930,777            | 42,274           |
| <i>Specific activity tax</i>                      |      | 24        | 467,610            | 293,512          |
| <i>Deferred income tax expenses</i>               |      | 25        | 109,434            | 227,584          |
| <i>Deferred income tax income</i>                 |      | 26        | 0                  | 0                |
| <b>Result for continuing operations</b>           |      | <b>27</b> | <b>9,400,951</b>   | <b>1,616,036</b> |
| <b>Other comprehensive income</b>                 |      |           |                    |                  |
| <i>Increase/(decrease) of revaluation surplus</i> |      | 28        | (2,321,427)        | (485,555)        |
| <i>Tax related to other comprehensive income</i>  |      | 29        | (88,811)           | (38,458)         |
| <b>Other comprehensive income after taxation</b>  |      | <b>30</b> | <b>(2,410,238)</b> | <b>(524,013)</b> |
| <b>Total comprehensive income for the period</b>  |      | <b>31</b> | <b>6,990,713</b>   | <b>1,092,023</b> |

|  |        |        |
|--|--------|--------|
| Earnings per share (RON/share)         | 0.0170 | 0.0028 |
| Diluted earnings per share (RON/share) | 0.0170 | 0.0028 |

The consolidated financial statements were approved by the Board of Directors on March 14, 2019 and were signed by:

CHAIRMAN OF THE BOARD OF DIRECTORS  
NARCISA MOSOIU

CHIEF FINANCIAL OFFICER  
MIRCEA CRISTIAN

**TURISM, HOTELURI, RESTAURANTE MAREA NEAGRA SA a company managed in a two-tier system**

**STATEMENT OF CONSOLIDATED FINANCIAL POSITION**  
**AS AT 31 DECEMBER 2018**  
**(All amounts are presented in RON)**

| As at 31 December  | Note | Row       | (RON)              | (RON)              |
|--|------|-----------|--------------------|--------------------|
|  |      |           | 2018               | 2017               |
| <b>Assets</b>  |      |           |                    |                    |
| <b>Non-current assets</b>  |      |           |                    |                    |
| <i>Tangible assets</i>   |      |           |                    |                    |
| <i>Freehold land and land improvements</i>                                   |      |           |                    |                    |
| <i>Buildings</i>   | 8    | 1         | 58,591,430         | 59,734,338         |
| <i>Plant and machinery, motor vehicles</i>                                   | 8    | 2         | 103,226,015        | 107,021,706        |
| <i>Fixtures and fittings [...]</i>   | 8    | 3         | 7,455,271          | 9,295,115          |
| <i>Tangible assets in progress</i>   | 8    | 4         | 8,854,714          | 9,547,939          |
| <i>Intangible assets</i>   | 8    | 5         | 1,458,471          | 991,285            |
| <i>Concessions, patents, licenses, trademarks, similar rights and assets</i> |      | 6         | 0                  | 0                  |
| <i>Other intangible assets</i>   |      | 7         | 162,108            | 313,488            |
| <i>Trade receivables and other receivables</i>                               | 9    | 8         | 200,605            | 101,498            |
| <i>Investment property</i>   |      | 9         | 465,208            | 453,572            |
| <i>Financial assets</i>  | 8;10 | 10        | 16,065,300         | 17,191,112         |
| <i>Deferred tax assets</i>   |      | 11        | 0                  | 2,432,010          |
| <b>Total fixed assets</b>  |      | 12        | 951,078            | 951,078            |
|  |      | <b>13</b> | <b>197,430,201</b> | <b>208,033,140</b> |
| <b>Current Assets</b>  |      |           |                    |                    |

|  |    |    |            |            |
|--|----|----|------------|------------|
| <i>Inventories</i>                             | 12 | 14 | 294,218    | 442,154    |
| <i>Financial assets</i>                        | 11 | 15 | 0          | 0          |
| <i>Current tax assets</i>                      |    | 16 | 0          | 38,336     |
| <i>Trade receivables and other receivables</i> | 13 | 17 | 2,604,511  | 4,933,051  |
| <i>Accrued expenses</i>                        | 14 | 18 | 895,292    | 782,016    |
| <i>Cash and cash equivalents</i>               | 15 | 19 | 27,985,903 | 5,635,805  |
| <i>Non-current assets held for sale</i>        | 16 | 20 | 37,666,185 | 36,516,013 |

**TURISM, HOTELURI, RESTAURANTE MAREA NEAGRA SA, a company managed in a two-tier system**

**STATEMENT OF CONSOLIDATED FINANCIAL POSITION**

**AS AT 31 DECEMBER 2018**

**(All amounts are presented in RON)**

| As at 31 December   | Note | Row       | (RON)              | (RON)              |
|---|------|-----------|--------------------|--------------------|
|   |      |           | <b>2018</b>        | <b>2017</b>        |
| <b>Total Current Assets</b>   |      | <b>21</b> | <b>69,446,108</b>  | <b>48,347,375</b>  |
| <b>Total Assets</b>   |      | <b>22</b> | <b>266,876,309</b> | <b>256,380,515</b> |
| <b>Equity</b>   |      |           |                    |                    |
| Share capital   | 17   | 23        | 57,894,994         | 57,894,994         |
| Capital adjustment following adoption of IAS 29 for the first time                        | 17   | 24        | 85,945,333         | 85,945,333         |
| Share premium   | 17   | 25        | 1,895,855          | 1,895,855          |
| Reserves  | 18   | 26        | 28,188,838         | 26,881,973         |
| Inflated reserves application of IAS 29 for the first time                                | 18   | 27        | 16,745,901         | 16,745,901         |
| Revaluation differences   | 19   | 28        | 105,238,279        | 107,559,706        |
| Result for the period   | 19   | 29        | 9,400,951          | 1,616,036          |
| Retained earnings except retained earnings from the adoption of IAS 29 for the first time | 19   | 30        | 55,169,050         | 52,923,423         |
| Retained earnings came following the application of IAS 29 for the first time             | 19   | 31        | (102,691,275)      | (102,691,275)      |
| Other elements of equity  | 20   | 32        | (13,056,602)       | (12,690,908)       |
| <b>Total Equity</b>   |      | <b>33</b> | <b>244,731,322</b> | <b>236,081,038</b> |
| <b>Liabilities</b>  |      |           |                    |                    |
| <b>Long-term liabilities</b>  |      |           |                    |                    |
| Long-term loans   |      | 34        | 0                  | 1,600,000          |
| Trade payables and other liabilities, including derivatives                               | 21   | 35        | 65,160             | 39,735             |
| Accruals for employee benefits  |      | 36        | 0                  | 0                  |
| Provisions  | 22   | 37        | 744,059            | 409,128            |
| Deferred tax liabilities  | 7    | 38        | 13,181,185         | 13,160,564         |
| <b>Total Long-term liabilities</b>  |      | <b>39</b> | <b>13,990,404</b>  | <b>15,209,427</b>  |

**TURISM, HOTELURI, RESTAURANTE MAREA NEAGRA SA, a company managed in a two-tier system**

**STATEMENT OF CONSOLIDATED FINANCIAL POSITION**

**AS AT 31 DECEMBER 2018**

**(All amounts are presented in RON)**

|  |    |           |                    |                    |
|--|----|-----------|--------------------|--------------------|
| <b>Current liabilities</b>                                   |    |           |                    |                    |
| <i>Short-term loans</i>                                      | 21 | 40        | 0                  | 800,000            |
| <i>Trade payables and other debts, including derivatives</i> | 21 | 41        | 7,907,550          | 4,265,210          |
| <i>Deferred income</i>                                       | 4  | 42        | 0                  | 0                  |
| <i>Provisions</i>  | 22 | 43        | 247,034            | 24,841             |
| <i>Deferred tax liabilities</i>                              |    | 44        | 0                  | 0                  |
| <b>Total Current liabilities</b>                             |    | <b>45</b> | <b>8,154,584</b>   | <b>5,090,051</b>   |
|  |    |           |                    |                    |
| <b>Total Liabilities</b>                                     |    | <b>46</b> | <b>22,144,987</b>  | <b>20,299,477</b>  |
| <b>Total Equity and Liabilities</b>                          |    | <b>47</b> | <b>266,876,310</b> | <b>256,380,515</b> |

The consolidated financial statements were approved by the Board of Directors on March 14, 2019 and were signed by the:

CHAIRMAN OF THE BOARD OF DIRECTORS  
NARCISA MOSOIU

CHIEF FINANCIAL OFFICER  
MIRCEA CRISTIAN

**TURISM, HOTELURI, RESTAURANTE MAREA NEAGRA SA, a company managed in a two-tier system**

**STATEMENT OF CONSOLIDATED CHANGES IN EQUITY  
FOR THE FINANCIAL YEAR ENDED AT 31 DECEMBER 2018  
(All amounts are presented in RON)**

| <b>Explanation</b>                                  | Share capital     | Share capital adjustments IAS 29 | Share premium account | Revaluation surplus | Reserves          | Reserve adjustments IAS 29 | Retained earnings except retained earnings from the adoption of IAS 29 for the first time | Retained earnings according IAS 29 first time adopted | Result for the period | Other elements of equity | Total equity       |
|---|-------------------|----------------------------------|-----------------------|---------------------|-------------------|----------------------------|---|---|-----------------------|--------------------------|--------------------|
| <b>Balance at January 1 2017</b>                    | <b>57,894,994</b> | <b>85,945,333</b>                | <b>1,895,855</b>      | <b>108,045,261</b>  | <b>26,451,693</b> | <b>16,745,901</b>          | <b>53,330,461</b>   | <b>(102,691,275)</b>                                  | <b>4,399,514</b>      | <b>(12,895,836)</b>      | <b>239,121,901</b> |
| Reductions in output (sales, scraping, restitution) | 0                 | 0                                | 0                     | (485,556)           | 0                 | 0                          | 485,556   | 0   | 0                     | 0                        | 0                  |
| Loss cancellation previous years                    | 0                 | 0                                | 0                     | 0                   | 0                 | 0                          | (631)   | 0   | 0                     | 0                        | (631)              |
| Error corrections                                   | 0                 | 0                                | 0                     | 0                   | 0                 | 0                          | (757,865)   | 0   | 0                     | 0                        | (757,865)          |
| Loss/ Net profit for the year                       | 0                 | 0                                | 0                     | 0                   | 319,633           | 0                          | (4,967,707)   | 0   | 1,616,036             | (110,647)                | (3,142,685)        |
| Transfer to reserves                                | 0                 | 0                                | 0                     | 0                   | 110,647           | 0                          | 4,833,608   | 0   | (4,399,513)           | 315,575                  | 860,318            |
| Other comprehensive income                          | 0                 | 0                                | 0                     | 0                   | 0                 | 0                          | 0   | 0   | 0                     | 0                        | 0                  |
| Revaluation surplus                                 | 0                 | 0                                | 0                     | 0                   | 0                 | 0                          | 0   | 0   | 0                     | 0                        | 0                  |
| <b>Balance at 31 December 2017</b>                  | <b>57,894,994</b> | <b>85,945,333</b>                | <b>1,895,855</b>      | <b>107,559,705</b>  | <b>26,881,973</b> | <b>16,745,901</b>          | <b>52,923,423</b>   | <b>(102,691,275)</b>                                  | <b>1,616,036</b>      | <b>(12,690,908)</b>      | <b>236,081,038</b> |
| Reductions in output (sales, scraping, restitution) | 0                 | 0                                | 0                     | (2,321,427)         | 0                 | 0                          | 0   | 0   | 0                     | 0                        | (2,321,427)        |
| Loss cancellation previous years                    | 0                 | 0                                | 0                     | 0                   | 0                 | 0                          | 5,332,192   | 0   | 0                     | 0                        | 5,332,192          |
| Error corrections                                   | 0                 | 0                                | 0                     | 0                   | 0                 | 0                          | (3,086,565)   | 0   | 0                     | 0                        | (3,086,565)        |
| Loss/ Net profit for the year                       | 0                 | 0                                | 0                     | 0                   | 1,306,865         | 0                          | 0   | 0   | 9,400,951             | 199,458                  | 10,907,274         |
| Transfer to reserves                                | 0                 | 0                                | 0                     | 0                   | 0                 | 0                          | 0   | 0   | (1,616,036)           | (565,153)                | (2,181,189)        |
| Other comprehensive income                          | 0                 | 0                                | 0                     | 0                   | 0                 | 0                          | 0   | 0   | 0                     | 0                        | 0                  |
| Revaluation surplus                                 | 0                 | 0                                | 0                     | 0                   | 0                 | 0                          | 0   | 0   | 0                     | 0                        | 0                  |
| <b>Balance at 31 December 2018</b>                  | <b>57,894,994</b> | <b>85,945,333</b>                | <b>1,895,855</b>      | <b>105,238,278</b>  | <b>28,188,838</b> | <b>16,745,901</b>          | <b>55,169,050</b>   | <b>(102,691,275)</b>                                  | <b>9,400,951</b>      | <b>(13,056,602)</b>      | <b>244,731,322</b> |

The consolidated financial statements were approved by the Board of Directors on March 14, 2019 and were signed by the:

CHAIRMAN OF THE BOARD OF DIRECTORS  
NARCISA MOSOIU

CHIEF FINANCIAL OFFICER  
MIRCEA CRISTIAN



**TURISM, HOTELURI, RESTAURANTE MAREA NEAGRA S.A., a company managed in a two-tier system**

**STATEMENT OF CONSOLIDATED CASH FLOWS  
FOR THE FINANCIAL YEAR ENDED AT 31 DECEMBER 2018  
(All amounts are presented in RON)**

| Explanation   | Row       | 2018               | 2017               |
|---|-----------|--------------------|--------------------|
| Cash-flow   | 1         |                    |                    |
| +/- Profit or Loss  | 2         | 9,400,950          | 1,616,036          |
| + Depreciation included in cost                                   | 3         | 7,243,810          | 7,268,161          |
| - Changes in inventories (+/-)                                    | 4         | 1,002,235          | 25,333,253         |
| - Changes in receivables (+/-)                                    | 5         | (2,087,716)        | (1,450,894)        |
| + Variation of suppliers and Advance payments from customers(+/-) | 6         | 2,788,255          | 217,813            |
| - Variation other asset items (+/-)                               | 7         | (2,913,446)        | (13,234,259)       |
| + Variation in other liabilities (+/-)                            | 8         | 2,478,352          | 6,448,295          |
| <b>= Cash flow from operating activities (A)</b>                  | <b>9</b>  | <b>25,910,294</b>  | <b>4,902,205</b>   |
| + Disposals of tangible non-current assets                        | 10        | 7,246,984          | 1,515,619          |
| - Purchase of tangible non-current assets                         | 11        | 7,343,519          | 3,818,831          |
| <b>= Cash flow from investing activities (B)</b>                  | <b>12</b> | <b>(96,535)</b>    | <b>(2,303,212)</b> |
| + Loans variation (+/-), as:                                      | 13        | 0                  | 0                  |
| +short-term loans receivable                                      | 14        | 7,500,000          | 9,900,000          |
| - refunds of short-term loans                                     | 15        | 7,500,000          | 9,900,000          |
| +medium and long term loans receivable                            | 16        | 0                  | 0                  |
| -refunds of medium and long term loans                            | 17        | 2,400,000          | 800,000            |
| - Dividends paid  | 18        | 1,063,662          | 3,940,903          |
| <b>= Cash flow from financial activities (C)</b>                  | <b>19</b> | <b>(3,463,662)</b> | <b>(4,740,903)</b> |
| <b>+ Cash at beginning of the period</b>                          | <b>20</b> | <b>5,635,805</b>   | <b>7,777,715</b>   |
| <b>+ Net Cash Flow(A+B+C)</b>                                     | <b>21</b> | <b>22,350,097</b>  | <b>(2,141,910)</b> |
| <b>= Cash at the end of the period</b>                            | <b>22</b> | <b>27,985,902</b>  | <b>5,635,805</b>   |

The consolidated financial statements were approved by the Board of Directors on March 4, 2019 and were signed by the:

CHAIRMAN OF THE BOARD OF DIRECTORS  
NARCISA MOSOIU

CHIEF FINANCIAL OFFICER  
MIRCEA CRISTIAN

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED AT 31 DECEMBER 2018  
(All amounts are presented in RON)**

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**NOTE 1 – REPORTING ENTITY**

These financial statements are consolidated financial statements, in accordance with IAS 27.4.

The consolidated financial statements comprise the financial statements of Turism, Hoteluri, Restaurante Marea Neagră SA and its subsidiary Balneoterapia Saturn SRL

Turism, Hoteluri, Restaurante Marea Neagra S.A. ("The Parent Group") is a Group founded in 1991 that works in Romania in accordance with Law 31/1990 and Law 297/2004 regarding the capital market.

The Parent Group name is Turism, Hoteluri, Restaurante Marea Neagra S.A. (abbreviated THR Marea Neagra S.A.). The Group has the legal form of "joint stock Group (JSC)" and is an entity with unlimited life.

The Group is headquartered in Mangalia, Lavrion Street, no. 29, Zip code 905500

Contact details of the Group are:

Telephone: 0241752452

Fax: 0241755559

Website: [www.thrmareaneagra.ro](http://www.thrmareaneagra.ro)

e-mail: [thrmareaneagra@yahoo.com](mailto:thrmareaneagra@yahoo.com)

Unique registration code in the Trade Register: 2980547

Fiscal registration code: RO 2980547

Number of Registered business: J 13/696/1991

According to the statute, the main activity of the Group is CAEN code: 5510 Hotels and other similar accommodation facilities.

The Group operates in Romania, being present on other geographic markets.

**Regulated market** where the issued securities are traded: Bucharest Stock Exchange (market symbol: EFO).

**Subscribed and paid up share capital:** 57,894,993.9 RON divided in 578,949,939 shares. In reporting the years there have been no changes in the number of shares. Of the total shares issued and outstanding at 31.12.2017:

- THR does not hold redeemed shares;
- Subsidiary does not own shares.

The main characteristics of the securities issued by T.H.R. Marea Neagra S.A.: common, dematerialized, ordinary, indivisible and of equal value, issued at a nominal value of 0,10 RON / share.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED AT 31 DECEMBER 2018  
(All amounts are presented in RON)**

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**NOTE 1 – REPORTING ENTITY (CONTINUED)**

The subsidiary is Balneoterapia Saturn SRL (“The Subsidiary”), headquartered in Mangalia, Lavrion Street, no. 29, Constanta County  
The contact details of the Group are:

Telephone: 0241.752.452

Unique registration code in the Trade Register: 14271182

Number of Registered business: J 13/1910/2001

The Group’s shares are not traded on a regulated market. The shareholders evidence is held by the administrators using the register of shareholders

Largest group in which the entity works as a subsidiary: **S.I.F. TRANSILVANIA S.A.**

The smallest group in which the entity works as a subsidiary: **S.I.F. TRANSILVANIA S.A.**

Registered office of S.I.F. TRANSILVANIA S.A. is: Brasov, Nicolae Iorga Street, no.2, Brasov county.

Group’s consolidated financial statements of SIF Transilvania SA can be obtained from the registered office.

**NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies applied in preparing these consolidated financial statements in accordance with IFRS as adopted by EU, are presented below. These policies have been consistently applied to all financial years presented, unless otherwise stated.

**2.1 Basis of preparation**

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

These financial statements are consolidated financial statements of THR Marea Neagră SA and Balneoterapia Saturn SRL („Group”).

The accruals principle and the going concern principle have been applied when preparing these financial statements

The Group has prepared the annual financial statements for the year ended 31 December 2018 in accordance with International Financial Reporting Standards as adopted by European Union, applicable to companies whose securities are admitted to trading on a regulated market, according to the Order of the Minister of Finance no. 881/2012 regarding the application of International Financial Reporting Standards by companies whose securities are admitted to trading on a regulated market and the Order of the Minister of Finance no. 2844/2016 approving the Accounting Regulations in accordance with International Financial Reporting Standards applicable to companies whose securities are admitted to trading on a regulated market, including subsequent amendments and additions.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED AT 31 DECEMBER 2018  
(All amounts are presented in RON)**

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**NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

The accounts of the Parent Group are listed in RON, in accordance with IFRS as adopted by the European Union.

The financial statements have been authorized for issue by the Board of Directors on March 14, 2019.

In accordance with IAS 29 and IAS 21, the consolidated financial statements of an entity whose functional currency is the currency of a hyperinflationary economy should be presented in the current unit to the date of the financial statements, therefore non-monetary items should be restated using a general price index which was given at the date of acquisition or contribution. IAS 29 stipulates that an economy is considered hyperinflationary if, among other factors, the cumulative inflation exceeds 100% over a period of 3 years.

At 31.12.2015, the Parent Group proceeded to share capital restatement according to IAS 29, by reconstituting the evolution of capital and reserves of the foundation until 2003 (specifying the exact date and source) applying inflation indices.

**Presentation of Financial Statements**

The consolidated financial statements are presented in accordance with IAS 1 "Presentation of Financial Statements". The Group has adopted a presentation based on assessing the nature and liquidity of assets in the statement of financial position and a statement of income and expenses according to their nature in the statement of comprehensive income, considering that these methods of presentation provides information that is more relevant than other methods that would have been permitted by IAS 1.

**Basis of valuation**

The consolidated financial statements are prepared using the cost method, except land and buildings which are revalued at fair value. Fair value method is applied, except for assets or liabilities for which the fair value cannot be determined reliably.

Valuation of assets and liabilities was made as:

- **Inventories** are valued at the lower value between cost and net realizable value.
- **Tangible assets** are measured initially at:
  - i) The acquisition cost, for those acquired for consideration;
  - ii) The input value, for those received as a contribution in kind to the establishment of share capital or increase of share capital;
  - iii) at fair value at the acquisition date, for those received as free of charge.For subsequent recognition, the Group has adopted the revaluation model.
- **Intangible assets** are initially measured at cost. After recognition intangible assets are accounted based on the cost model, at cost less any accumulated depreciation and any accumulated impairment losses.

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**NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

- **Investment properties (buildings and land)** are determined at the fair value by an independent evaluator by :
  - i) determining replacement value;
  - ii) estimating accrued depreciation;
  - iii) determination of the remaining value of construction ;
  - iv) direct comparison method by reference to market prices in a similar and comparable in area.
- **Financial investments** are recognized at cost.
- **Non-current assets held for sale** are measured at the lower value of carrying amount and fair value less cost to sell.
- **Cash and cash equivalents** are presented in the balance sheet at cost.

**Use of estimates and judgments**

The preparation of financial statements in accordance with IFRS as adopted by the European Union involves the use of estimates, judgments and assumptions by management that affect the application of accounting policies as reported amounts of assets, liabilities, income and expenses. The estimates and assumptions associated with these estimates are based on historical experience and other factors considered reasonable in the context of these estimates. The results of these estimates form the basis of judgments about the carrying amounts of assets and liabilities that cannot be obtained from other sources of information. The results may differ from these estimates.

The estimates and underlying assumptions are reviewed periodically. Revisions of accounting estimates are recognized in the period in which the estimate is revised, if the revision affects only that period or in the period in which the estimate is revised and future periods if the revision affects both current period and future periods.

Changes in estimates, by their nature are not related to prior periods and are corrections of errors.

As an exception to the presentation of the effect of the change in estimate shown above, if such a change gives rise to changes in assets and liabilities or capital, the effect of this change will be presented through an adjustment of assets, liabilities or equity in the period in which the change has taken place.

Judgments made by management in applying IFRS that have a significant effect on the consolidated financial statements and estimates that involve a significant risk of a material misstatements in the next year are disclosed in Note 26.

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**NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**2.2 General aspects of applied accounting policies**

If a standard or an interpretation specifically applies to a transaction, other event or condition, accounting policies applied to that element, it is chosen by applying the standard or interpretation in question, considering any implementation guide issued by the IASB for the standard or interpretation in question.

The accounting policies are consistently applied to transactions, other events and similar conditions, except when a standard or an interpretation requires or permits the classification of categories, for which different policies may apply to the previous.

Changing an accounting policy is permitted only under the following conditions:

- This change is required by a standard or an interpretation;
- The change will provide reliable and relevant information about the effects of transactions, events and conditions.

Significant errors of previous periods found on the recognition, measurement, presentation or disclosure of elements of financial statements should be corrected retrospectively in the first set of financial statements that are authorized for issuance by:

- restating the comparative amounts for the period or prior periods in which the error occurred; or
- restating the opening balances of assets, liabilities and equity for the farthest period presented, if the error occurred before the farthest prior period presented.

**2.3 Standards and interpretations available in the current period**

Based on the provisions of each standard, the Group has developed accounting policies in accordance. If the Standards provide alternatives solutions or exceptions, have been established policies opted for.

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**NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

The Group has applied starting from 2012, the following International Financial Reporting Standards with the accounting policies adjustments for the Group:

|        |   |   |
|--------|---|---|
| IAS 1  | Presentation of financial statements                            | Fundamental Accounting Principles, structure and content of financial statements, mandatory posts and the concept of true and fair view, completed with amendments applicable from 1 January 2013.  |
| IAS 2  | Inventories   | Defining of the accounting process applicable to inventories in the historical cost system: evaluation (first in - first out, weighted average cost and net realizable value) and the perimeter of allowed costs.                         |
| IAS 7  | Statement of Cash Flows   | Analysis of cash variations, classified into three categories: cash-flows from operating activities, cash-flows from investing activities, cash-flows from financing activities.  |
| IAS 8  | Accounting policies, Changes in Accounting Estimates and Errors | Defining the classification, the information that need to be disclosed and accounting treatment of certain items in the income statement.   |
| IAS 10 | Events after the reporting period                               | Requirements for when events after the end of the reporting period should generate an adjustment to the financial statements: definitions, terms and conditions, particular cases (dividends).  |
| IAS 12 | Income Taxes  | Definition of tax accounting processing on the period result and detailed stipulations on deferred taxes, supplemented by amendments applicable from 1 January 2013   |
| IAS 16 | Property, plant and equipment                                   | Accounting treatments, net book value calculation and relevant principles regarding depreciation for most types of property, plant and equipment.   |
| IAS 17 | Leases  | Defining lessee and lessor, accounting treatments regarding location-financing contracts and simple location contracts.   |
| IAS 18 | Revenue   | Revenue recognition principles for ordinary activities from certain types of transactions and events (fair value principle, the principle of linking expenditure to income, the percentage of advancement services, asset sharing, etc.). |
| IAS 19 | Employee benefits   | Accounting principles regarding employee benefits: short and long term benefits, post-employment benefits, advantages on equity and allowances on termination of employment.  |

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**NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

|        |  |  |
|--------|--|--|
| IAS 20 | Accounting for Government Grants and Disclosure of Government Assistance | Accounting principles for direct or indirect public aid (clear identification, concept of fair value, restraining subsidized connection etc.).   |
| IAS 21 | The Effects of changes in Foreign Exchange Rates                         | Accounting treatments of abroad activities, foreign currency transactions and restarting financial statements of a foreign entity.   |
| IAS 23 | Borrowing Costs  | The definition of borrowing costs and accounting treatments: the notion of qualifying asset, how to incorporate borrowing costs in the amount of qualified assets.   |
| IAS 24 | Related Party Disclosures  | Details of related party relationships and transactions (legal and natural persons) who exercises control or significant influence over one of the group's companies or the management.  |
| IAS 26 | Accounting and Reporting by Retirement Benefit Plans                     | Principles and information on the retirement schemes (funds), distinguishing defined contribution schemes and defined-benefit.   |
| IAS 27 | Consolidate and Separate Financial Statements                            | Principles concerning the presentation of separate financial statements, defining the obligation of consolidation and control, the convergence of accounting rules within the group, other principles.   |
| IAS 28 | Investments in Associates and Joint Ventures                             | IAS 28 Investments in Associates and Joint Ventures (as amended in 2011) outlines how to apply, with certain limited exceptions, the equity method to investments in associates and joint ventures. The standard also defines an associate by reference to the concept of "significant influence", which requires power to participate in financial and operating policy decisions of an investee (but not joint control or control of those policies). AS 28 was reissued in May 2011 and applies to annual periods beginning on or after 1 January 2013. |
| IAS 29 | Financial Reporting in Hyperinflationary Economies                       | Reconstitution of capital and reserves evolution.  |
| IAS 31 | Interests in Joint Ventures  | Accounting principles and policies to joint venture operations performed, assets or holdings in a joint venture.   |
| IAS 32 | Financial Instruments: Presentation                                      | Rules of presentation (classification of debt equity, expenses or income/equity).  |
| IAS 33 | Earnings per Share   | Principles of determination and representation of earnings per share.  |
| IAS 36 | Impairment of Assets   | Key definitions (recoverable amount, fair value less costs of disposal, value in use, cash-generating units), the frequency of impairment tests, accounting for the impairments, and for goodwill impairment   |
| IAS 37 | Provisions, Contingent Liabilities and Contingent                        | Defining provisions and approach of estimating provisions, individual cases examined (including the problem of restructuring).   |



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
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|         | Assets   |  |
|---------|--|--|
| IAS 38  | Intangible Assets  | Definition and accounting treatments for intangible assets, recognition and measurement policies on the processing costs for research and development etc.   |
| IAS 39  | Financial Instruments: Recognition and Measurement                 | Recognition and measurement principles regarding financial assets and liabilities, the definition of derivatives, hedge accounting operations, the issue of fair value etc.  |
| IAS 40  | Investment Property  | Establishing the evaluation method: fair value model or cost model, transfers between different categories of assets etc.  |
| IFRS 1  | First-time Adoption of International Financial Reporting Standards | The procedures for financial statements according to IAS / IFRS optional exemptions and mandatory exceptions to retrospective application of IAS / IFRS, supplemented by amendments applicable from 1 January 2013.  |
| IFRS 5  | Non-current Assets Held for Sale and Discontinued Operation        | Defining an asset held for sale and discontinued operations, and the evaluation of these elements.   |
| IFRS 7  | Financial Information: Disclosures                                 | Financial information related to financial instruments are referring primarily to: (i) information about the significance of financial instruments; and (ii) information about the nature and extent of risks arising from financial instruments, supplemented by amendments applicable from 1 January 2013.   |
| IFRS 9  | Financial Instruments  | The Standard includes requirements for recognition and measurement, impairment, derecognition and general hedge accounting. The IASB completed its project to replace IAS 39 in phases, adding to the standard as it completed each phase. The version of IFRS 9 issued in 2014 supersedes all previous versions and is mandatorily effective for periods beginning on or after 1 January 2018 with early adoption permitted |
| IFRS 10 | Consolidated Financial Statements                                  | Establishing principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities.  |
| IFRS 11 | Joint Arrangements   | Establishing principles for financial reporting for entities that hold interests in jointly controlled commitments.  |
| IFRS 12 | Disclosure of Interests in Other Entities                          | Requires an entity to disclose information that will enable users of its financial statements to evaluate: the nature and risks associated with interests held in other entities; and the effects of those interests on the financial position, financial performance and its cash flows.  |
| IFRS 13 | Fair value measurement   | The definition of fair value, establishing, in a single IFRS, a framework for measuring fair value, requiring the presentation of information on fair value.   |

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IFRS 15 Revenue from Contracts with Customers

IFRS 15 specifies how and when an IFRS reporter will recognise revenue as well as requiring such entities to provide users of financial statements with more informative, relevant disclosures. The standard provides a single, principles based five-step model to be applied to all contracts with customers. IFRS 15 was issued in May 2014 and applies to an annual reporting period beginning on or after 1 January 2018.

**2.3.1 Foreign currency translation**

**Presentation currency and functional currency**

The financial statements are presented in RON, rounded to the nearest RON, which is the reference currency, RON is both functional currency and presentation currency.

**Transactions and balances**

Transactions in foreign currency are recorded in RON at the official exchange rate at the date of settlement of transactions, Monetary assets and liabilities in foreign currencies at the balance sheet date are translated to the functional currency at the exchange rate at the day,

The exchange rates of major foreign currencies were:

|     | <b>31 decembrie 2018</b> | <b>31 decembrie 2017</b> |
|-----|--------------------------|--------------------------|
| EUR | 4.6639                   | 4.6597                   |
| USD | 4.0736                   | 3.8915                   |

Operations in foreign currencies are recorded in accounting in both currencies, foreign exchange and RON. Apply these accounting policies:

- conversion transactions in a foreign currency to the functional currency (RON) is performed based on the exchange rate in effect at the time the transactions occur;
- cash and cash equivalents, receivables and liabilities recorded in a currency other than RON existing liabilities at the end of a financial year, are valued at the exchange rate announced by the central bank for the last banking day of the year.

Gains and losses resulting from the settlement of transactions in a foreign currency and the conversion of monetary assets and liabilities denominated in foreign currencies are recognized in profit or loss in financial result.

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**NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

The conversion differences related to non-cash items such as equity securities, are reported as:

- As part of the gain or loss from the adjustment to fair value if the shares held for trading;
- Included in equity in value reserve at fair value in case of units held for sale.

**2.3.2 Property, plant and equipment**

**Measurement at recognition**

An item of property, plant and equipment that qualifies for recognition as an asset, is measured at cost.

Tangible assets are initially measured at cost (those acquired for consideration), or at the input value (those received as a contribution in kind to the establishment of share capital or increase of share capital), respectively at fair value at acquisition date (those received as free of charge).

**Evaluation after recognition**

For subsequent recognition, the Group has adopted the revaluation model.

The value of the revalued asset is its fair value at the date of revaluation. Revaluations shall be made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the balance sheet date. Revaluations are performed by independent appraisers certified by ANEVAR.

Revalued amount (in addition) substitutes the acquisition cost.

If a revaluation results in an increase in value, it should be credited to other comprehensive income and accumulated in equity under the heading "revaluation surplus" unless it represents the reversal of a revaluation decrease of the same asset previously recognized as an expense, in which case it should be recognized in profit or loss. [IAS 16,39]

A decrease arising as a result of a revaluation should be recognized as an expense to the extent that it exceeds any amount previously credited to the revaluation surplus relating to the same asset. [IAS 16,40]

The revaluation surplus included in equity in respect of an item of property and equipment is transferred directly to retained earnings when the asset is derecognized. It involves the transfer of the entire surplus when the asset is retired or disposed of. Transfers from revaluation surplus to retained earnings is not made through profit or loss.

Amounts paid or payable, generated daily repairs and maintenance of tangible assets are recorded at cost-owned Group under accrual accounting properly influencing the income statement for the period.

Amounts paid or payable generated by operations leading to increasing the value and / or the life, property and equipment owned by upgrading or those operations that lead to a significant improvement of the technical parameters, the growth potential of generating benefits economical by them, is capitalized (properly increase the carrying value of the respective assets).

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**NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Depreciation**

Depreciation charge for each period are recognized in profit or loss unless they are included in the carrying amount of another asset.

Depreciation is calculated at book value (acquisition cost or revalued amount), less the residual value, using the straight-line method, over the estimated useful life of the assets. The depreciation is charged monthly to the statement of other comprehensive income. Depreciation of an asset begins when it is available for use, when it is in the location and condition necessary for it to function in the manner intended by management. Depreciation of an asset ceases at the earlier of the date the asset is classified as held for sale (or included in a disposal group that is classified as held for sale) in accordance with IFRS 5 and the date when the asset is derecognized. Therefore, depreciation does not cease when the asset is used or is retired from active use unless the asset is fully depreciated.

When registering revaluations, accumulated depreciation is eliminated.

The residual value and useful life of an asset shall be reviewed at least at each financial year-end. If expectations differ from previous estimates, the change(s) shall be accounted for as a change in an accounting estimate in accordance with IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*.

Land is not depreciated.

Depreciation of other tangible assets is calculated using the straight-line method, allocating costs related to the residual value according to the corresponding life

|  | <b>Years</b>       |                    |
|--|--------------------|--------------------|
|  | <b><u>2018</u></b> | <b><u>2017</u></b> |
| Buildings                                    | 50                 | 50                 |
| Other equipment, furniture and other changes | as far as 12       | as far as 12       |
| Vehicles                                     | as far as 14       | as far as 14       |

**Impairment of tangible assets**

An asset is impaired when its carrying amount exceeds its recoverable amount.

At each reporting date, the entity should check if there are indicators of impairment of assets. If such indicators are identified, the entity shall estimate the recoverable amount of the asset.

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

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**NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Derecognition**

The carrying amount of a fixed asset shall be derecognized:

- (a) when disposed, or
- (b) When no future economic benefits are expected from its use or disposal.

The gain or loss arising from the derecognition of a fixed asset shall be included in profit or loss when the item is derecognized.

Gains shall not be classified as revenue.

**2.3.3 Intangible assets**

**Recognition and measurement**

In recognition of an asset as an intangible asset the entity must demonstrate that the item meets the following:

The definition of an intangible asset. An intangible asset is separable, capable of being separated or divided from the entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, asset or liability; and arises from contractual rights or other legal rights, whether those rights are transferable or separable from the entity or from other rights and obligations.

Recognition criteria:

- it is probable that the expected future economic benefits attributable to the asset will flow to the entity; and
- the cost of the asset can be measured reliably.

An intangible asset shall be measured initially at cost. The cost of a separately acquired intangible asset comprises:

- its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates; and
- any directly attributable cost of preparing the asset for its intended use.

For intangible assets acquired free of charge or for symbolic consideration through a government grant, the entity recognizes the asset initially at nominal value plus any costs directly attributable to preparing the asset for its intended use.

Intangible assets according to generally accepted regulations cannot be acquired through exchange of assets, which are treated as separate deliveries.

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**NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Recognition of expenses**

Expenditure on an intangible item shall be recognized as an expense when it is incurred unless they are part of the cost of an intangible asset that meets the recognition criteria.  
Expenditure on an intangible item that was initially recognized as an expense shall not be recognized as part of the cost of an intangible asset at a later date.

**Evaluation after recognition**

After recognition, an intangible asset is accounted for under the cost model, namely at its cost less any accumulated depreciation and any accumulated impairments.

**Amortization**

Computer software is amortized over a period between 1 year and 3 years, and licenses for the period of validity, using the straight-line depreciation method.

**2.3.4 Cash and cash equivalents**

Cash and cash equivalents are presented in the statement of financial position at cost. For the purpose of statement of cash-flows, cash and cash equivalents include petty cash, bank accounts, including deposits with a maturity of three months or less, cash in transit, other short-term financial investments with high liquidity with a maturity of three months or less and overdraft facilities.

**2.3.5 Trade receivables**

Trade receivables are categorized as financial assets.

A financial asset is recognized in the statement of financial position when, and only when the Group becomes part of the certain contractual terms of the instrument.

Trade receivables are carried at original invoice amount less allowance (impairment test) recognized for doubtful receivables. The amount of the trade receivables allowance is calculated as difference between the carrying amount and the recoverable amount.

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**NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**2.3.6 Financial assets and liabilities**

**Classification**

The Group classifies financial instruments held in the following categories:

*Financial assets and liabilities measured at fair value through profit and loss*

This category includes financial assets or financial liabilities held for trading and financial instruments classified at fair value through profit or loss at initial recognition. A financial asset or liability is classified in this category if it was mainly purchased for speculative purposes or if it has been designated in this category by management.

*Investments held-to-maturity*

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments that an entity intends and is able to hold to maturity and that do not meet the definition of loans and receivables and are not designated on initial recognition as assets at fair value through profit or loss or as held for sale. Held-to-maturity investments are measured at amortized cost.

*Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than held for trading or designated on initial recognition as assets at fair value through profit or loss or as held for sale.

*Financial assets held for sale*

Financial assets held for sale are any non-derivative financial assets designated on initial recognition as available for sale or any other instruments that are not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through profit or loss.

Financial assets held for sale are measured at fair value in the statement of financial position. Changes in the fair value of financial asset, other than gains or losses from exchange rate variations, are recognized in equity. When the asset is derecognized, the gain or loss is transferred to profit or loss.

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**NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Recognition**

Financial assets and liabilities are recognized at the settlement date, respectively at the date on which the financial instruments are sold or purchased. Financial assets and liabilities are initially measured at fair value, plus directly attributable transaction costs, except for investments in shares which fair value could not be determined reliably and which are initially recognized at cost.

**Amortized cost measurement**

Amortized cost of a financial asset or financial liability is the amount at which the financial asset or liability is measured at initial recognition minus principal payments, plus or minus the cumulative amortization of any difference between that initial amount and the maturity amount and minus any write down for impairment or uncollectability.

**Fair value measurement**

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Fair value measurement assumes a transaction taking place in the active market for the asset or liability. A financial instrument is traded on an active market, if quoted price are available quickly and regularly for that certain financial instrument. Financial assets available for sale for which there is not an active market and for which it is not possible to determine a fair value, are measured at cost and annually tested for impairments.

For all other financial instruments, fair value is determined using valuation techniques. Valuation techniques include techniques based on the net present value, discounted cash flow method, the method of comparison to similar instruments for which there is an observable market price and other evaluation methods.

**Identification and measurement of impairment**

*Financial assets measured at amortized cost*

An entity is required to assess at each balance sheet date whether there are any indicators of impairment. A financial asset or group of assets is impaired, only if there are indicators of impairments as a result of one or more events that occurred after the initial recognition of the asset ("loss generating event"), and these events have an impact of the future cash-flows generated from the asset or from the group of assets, which can be measured reliably.



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**NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

If any such impairment indicators exist, the entity is required to perform a detailed impairment calculation to determine whether any impairments should be recognized or not. The impairment should be amounted to the difference between the asset's carrying amount and the net present value of estimated discounted cash flows using the initial effective interest rate.

If a financial asset measured at amortized cost has a variable interest rate, the discount rate for measuring any loss of damping is current variable interest rate, specified in the contract. The carrying amount of the asset is diminished by the use of an allowance account. Impairment losses are recognized in profit or loss.

In the subsequent period of an event occurring after the recognition of impairments will generate a decrease of the impairments previously recognized. The impairment loss is reversed either directly or by adjusting an allowance account. Reduction of the impairment loss is recognized in profit or loss.

*Available-for-sale financial assets*

The Group assesses at each balance sheet date whether there are indicators of impairment of the financial asset or group of financial. In the case of equity investments classified as available for sale, a significant or prolonged decline in the fair value of the share below its cost is considered to determine whether the assets are impaired or not.

If such indicators of impairment exist for the available-for-sale financial assets, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in profit or loss - is removed from other comprehensive income and is recognized in profit or loss. Impairment losses recognized in the income statement and within equity instruments are not reversed through profit or loss. If, in a subsequent period, the amount fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the loss was recognized in profit or loss, the impairment loss is reversed through profit or loss.

Given the intrinsic limitations of the applied methodologies and significant uncertainty of the valuation of assets in international markets and local, the Group's estimates may be revised significantly after the date when the financial statements are authorized for issue.

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**NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Derecognition**

The Group derecognizes a financial asset when the rights to receive cash flows from the financial asset expire or when the Group has transferred its rights to receive the contractual cash flows attributable to the financial asset in a transaction in which it has substantially transferred all the risks and rewards of ownership.

Any interest in transferred financial assets retained by the Group or created for the Group is recognized as a separate financial asset or liability.

The Group derecognizes a financial liability when its contractual obligations have been completed or when its contractual obligations are canceled or expires.

**2.3.7 Employee Benefits**

The Group makes payments to pension funds, health funds, unemployment funds, allowances and vacations for all staff. All employees of the Group are members of the state pension plan. These expenses are recognized in profit or loss for the period covered.

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

**2.3.8 Income tax**

**Recognition of current tax assets and liabilities**

The current tax liability for the reporting period and prior periods is recognized to the extent that it is not paid.

If the amounts paid in current period and in prior periods exceeds the amount due for those periods, the excess is recognized as current tax asset.

Benefits relating to a tax loss that can be transferred in order to recover income tax of a previous period is recognized as current tax asset.

Liabilities (or assets) for the current period income tax and prior periods are measured at the amount expected to be paid (recovered) to(by) the tax authorities, using the tax rates (and legislation) applicable at the balance sheet date.

**Recognition of deferred tax assets and liabilities**

taxes calculated, by using the balance sheet method, based on the temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax is determined using tax rates (and laws), that have been enacted or substantially adopted at the balance sheet date and are expected to apply when the related deferred income tax is realized or the deferred income tax is settled.

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**NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

The main temporary differences arise from the following operations:

- Application of tax incentives, consisting of additional deduction of 20% of the book value of assets, when the assets are available for use
- Application of accounting treatments different from the fiscal treatment regarding the recognition of investment properties
- The existence of settlement periods greater than one year
- Application of accounting treatments different from the fiscal treatment regarding the recognition of revaluation surplus
- Application of accounting treatments different from the fiscal treatment regarding the recognition of materials in the form of small inventory

Deferred tax arising from the fair value of non-current assets held for sale, which are directly credited or debited in equity will be subsequently recognized in profit or loss together with the deferred gain or loss.

Deferred tax assets are recognized to the extent that there is likelihood of future taxable profit of which can be recovered temporary difference.

A deferred tax asset must be recognized for all deductible temporary differences to the extent that it is probable taxable profit will be available against which the deductible temporary difference can be used, except the case when the deferred tax asset arises from the initial recognition of an asset or liability in a transaction that:

- i) is not a business combination;
- ii) at the time of the transaction, affects neither the accounting profit nor taxable profit (tax loss).

A deferred tax asset for the carried forward losses and unused tax credits will be recognized by the Group to the extent that it is probable to exist future taxable profits against which the losses and unused tax credits can be used.

**2.3.9 Specific activity tax**

Starting from January 1st 2017, THR Marea Neagra applied the provisions according to Law 170/ 2016 on the specific activities tax taking in consideration the principal activity corresponding to CAEN 5510 - " Hotels and other accommodation facilities',

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**NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**2.3.10 Provisions**

Provisions are liabilities of uncertain timing or amount.

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made.

If the Group expects a partial or full reimbursement of the expenditure required to settle a provision (e.i. insurance contracts) it shall:

- a) recognize a reimbursement only if it is certain that it will take place if the Group will fulfill its obligations and the amount recognized for a reimbursement will not exceed the provision;
- b) recognize the amount refunded as a separate asset. In statement of comprehensive income, expenditure related to a provision may be presented after the recognized amount of repayment was decreased.

Provisions shall be reviewed at the end of the reporting period and adjusted to reflect the current best estimate. If an outflow of resources embodying economic benefits is not probable, the provision must be reversed.

No provision is recognized for costs that are incurred for this activity in the future.

Group records provisions for onerous contracts in situations where the expected benefits to be derived from a contract are lower than the unavoidable costs associated with contractual obligations.

Provisions are recognized when the Group has a legal or constructive obligation arising from past events, when it is necessary to settle the obligation that an outflow of resources embodying economic benefits and when the amount of the obligation can be measured reliably.

**2.3.11 Recognition of income**

Revenues of the Group are accounted for by their nature (operational, financial).

Revenue should be measured at the fair value of the consideration received or receivable. In the case of a financial transaction, the fair value is determined by discounting all future receipts, using a default interest rate, the difference from the book value being interest income. When the outcome of a transaction involving the rendering of services cannot be estimated reliably, the income should be recognized only to the extent of the expenses recognized that are recoverable.

The amounts collected on behalf of third parties such as sales taxes, goods and services taxes and value added taxes are not economic benefits for the entity and do not result in increases in equity. Therefore, they are excluded from income. Similarly, in the case of a Management Agreement, the gross inflows of economic benefits include amounts collected on behalf of the principal and which do not result in increases in equity for the entity. The amounts collected on behalf of the principal are not revenues, instead revenues are represented by commissions.

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**NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Revenues from rendered services are accounted as the services are rendered. The provided services include the execution of works and any other operations that cannot be considered as delivery of goods. The stage of completion of the work is determined based on the situation of works that acGroup the invoices, records receptions or other evidence regarding the stage of completion and services reception. For recognition is required to exist the probability that the economic benefits associated with the transaction will flow to the Group, the final stage of the transaction at the end of the period and the costs incurred for the transaction and those for completion of the transaction can be measured reliably.

Interest incomes are recognized using the effective interest method proportional to the relevant period of time, based on the principal and the effective rate over the period to maturity or shorter period if it binds transaction costs, it is established that the Group will obtain such income. When unpaid interest has accrued before the acquisition of an interest-bearing investment, the subsequent receipt of interest is allocated between pre-acquisition and post-acquisition; only the post-acquisition portion is recognized as revenue.

Income from financial assets, respectively dividends receivable from entities in which the Group holds equity, are recognized in the financial statements of the Group in the financial year when they are approved by the General Meeting of each entity.

The nominal value of shares that are received free of charge is also recorded as income from financial assets, as a result of direct incorporation of the profit for the last period in the equity of an entity in which shares are held.

Shares received free of charge after the issuer's share capital increases, increases made by incorporating the current year profit are accounted for as dividend income to the nominal value (cost), which were later recognized at fair value.

Income derived from the sale / disposal of investments held are recognized at the time when their ownership is transferred from the seller to the buyer, using settlement date accounting.

Revenues from sales of shares are recognized on a gross basis (transaction amount), and those resulting from transactions with short-term financial investments are recognized on a net basis (difference between the sales and cost).

**2.3.12 Dividend Payment**

The Group recorded obligation to pay dividends in the year in which the dividend distribution of profit is approved by the General Meeting of Shareholders.

**2.3.13 Activity segments**

The Group's management reviews the Group's overall activity (using statutory information). Information regarding business segments has not been obtained.

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**NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**2.3.14 New international standards not applied by the Group**

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

- IFRS 17 "Insurance Contracts", issued on 18 May 2017, with effect from 1 January 2021;
- Annual Improvements to the IFRS Standards for the Period 2015-2017, issued on December 12, 2017, with effect from 1 January 2019;
- Amendments to IAS 19 "Change Planning, Reducing or Settlement Planning" appeared on 7 February 2018 with effect from 1 January 2019;
- Amendments to the conceptual framework references of the IFRS, issued on 29 March 2018 with effect from 1 January 2020.;
- Amendments to IFRS "Business Combinations", issued on 22 October 2019, with effect from January 1, 2020;
- Amendments to IAS 1 "Presentation of Financial Statements" and IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors," as of 31 October 2018, with effect from 1 January 2020.

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**NOTE 3 – OPERATING INCOME, LESS INCOME FROM ASSET SALES**

The main activity of the Group is tourist accommodation services, catering and entertainment. In 2018, the Group recorded next tourist traffic:

Day-tourist

| Month                                     | Treatment       | Agencies       | Foreign+ On their own | Other beneficiaries | TOTAL          |
|---|-----------------|----------------|-----------------------|---------------------|----------------|
| <b>Conducted in 31 December 2018</b>      | 109,664         | 261,094        | 29,297                | 35,284              | 435,339        |
| Income and expenses budget(BVC) 2018      | 128,563         | 185,247        | 33,311                | 33,894              | 381,015        |
| <b>Differences from 2018/BVC 2018</b>     | <b>(18,899)</b> | <b>75,847</b>  | <b>(4,014)</b>        | <b>1,390</b>        | <b>54,324</b>  |
| <b>Percentage achieved 2018/BVC 2018</b>  | <b>85.30%</b>   | <b>140.94%</b> | <b>87.95%</b>         | <b>104.10%</b>      | <b>114.26%</b> |
| Conducted in 31 December 2017             | 128,563         | 189,201        | 32,152                | 32,619              | 382,535        |
| <b>Differences in 2018 from 2017</b>      | <b>(18,899)</b> | <b>71,893</b>  | <b>(2,855)</b>        | <b>2,665</b>        | <b>52,804</b>  |
| <b>Percentage BVC 2018/ achieved 2017</b> | <b>85.30%</b>   | <b>138.00%</b> | <b>91.12%</b>         | <b>108.17%</b>      | <b>113.80%</b> |
| <b>Share structure 2018</b>               | <b>25.19%</b>   | <b>59.97%</b>  | <b>6.73%</b>          | <b>8.10%</b>        | <b>100.00%</b> |
| <b>Share structure 2017</b>               | <b>33.61%</b>   | <b>49.46%</b>  | <b>8.40%</b>          | <b>8.53%</b>        | <b>100.00%</b> |

As it can be seen, in the year 2018 there was a touristic circulation of 435,339 days-tourist, representing an increase compared to the budgeted indicator (381,015 days-tourist) by 14.26%, and an increase compared to the year 2017 (382,535 days -touristic) by 13.80%.

Suitable the tourist traffic, the group recorded operating income following:RON

| Indicator   | Financial year ended at 31 December 2018 | Financial year ended at 31 December 2017 | Index 2018/2017 (%) |
|---|--|--|---------------------|
| <b>Turnover, including</b>  | 46,949,351                               | 34,854,421                               | 134.70%             |
| <i>Income from accommodation</i>  | 29,528,562                               | 21,016,132                               | 140.50%             |
| <i>Income from catering</i>   | 13,932,309                               | 10,128,015                               | 137.56%             |
| <i>Rental income</i>  | 1,139,225                                | 606,151                                  | 187.94%             |
| <i>Other income included in turnover</i>                                      | 2,349,255                                | 3,104,123                                | 75.68%              |
| <i>Income from disposed fixed assets and non-current assets held for sale</i> | 14,673,559                               | 1,382,160                                | 1061.64%            |
| <i>Other income</i>   | 1,842,160,33                             | 2,749,096,00                             | 67.01%              |
| <i>Revenues associated with the costs of the completed production</i>         | 0  | 0  | 0                   |
| <b>Total operational income</b>   | <b>63,465,070</b>                        | <b>38,985,677</b>                        | <b>162.79%</b>      |

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**NOTE 4 - INCOME FROM DISPOSAL OF FIXED ASSETS AND NON-CURRENT ASSETS HELD FOR SALE**

RON

| Explanation  | Financial year ended at 31 December<br>2018 | Financial year ended at 31 December<br>2017 |
|--|---|---|
| Income from disposed fixed assets                                    | 12,546,918                                  | 0   |
| Income from non-current assets held for sale                         | 2,126,641                                   | 1,382,160                                   |
| <b>Income from disposal of fixed assets and assets held for sale</b> | <b>14,673,559</b>                           | <b>1,382,160</b>                            |

Income from disposed assets and assets held for sale in 2018 is due to the sale of the following assets:

a) Income from disposed assets:

- the surface of 383 sqm in the Danube Village
- complex Lidia from Venus - hotel building + restaurant building + the adjoining terrain
- Flora villa in Eforie Nord - the building and the surrounding land

b) Income from assets held for sale:

- Carmen's Snack Bar in Eforie Nord
- hotel Riviera in Eforie Sud - building
- Saturn Building - building and the adjacent land

**NOTE 5 - EMPLOYEE BENEFITS EXPENSES. INFORMATION REGARDING EMPLOYEES AND MEMBERS OF THE ADMINISTRATION BOARD AND MANAGEMENT**

Employee benefits expenses are presented as follows:

RON

| Explanation                      | Financial year ended at 31 December 2018 | Financial year ended at 31 December 2017 |
|----------------------------------|--|--|
| Salaries                         | 13,028,278                               | 9,341,474                                |
| Social security contributions    | 803,481                                  | 2,605,342                                |
| Provisions for employee benefits | 0  | 0  |
| Meal vouchers expenses           | 254,548                                  | 291,043                                  |
| <b>Total</b>                     | <b>14,086,307</b>                        | <b>12,237,858</b>                        |



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**NOTE 5 - EMPLOYEE BENEFITS EXPENSES. INFORMATION REGARDING EMPLOYEES AND MEMBERS OF THE ADMINISTRATION BOARD AND MANAGEMENT  
(CONTINUED)**

- 1) The Group has not contracted obligations of payment of pensions to former members of the Board of Directors, management and supervision therefore it has not accounted such obligations.
- 2) The Group has not granted and will not grant loans or advances (except for salary advances and/or delegation expenses) to the members of the Board and management. The Group has not booked such obligations at the end of 2016.

Employees:

Compared to 2017, in 2018 there is a reduction in the average number of staff both overall and in structure, seasonal and permanent.

| <b>No.</b> | <b>Indicator</b>                     | <b>Average number<br/>2018</b> | <b>No, at 31.12.2018</b> | <b>Average number<br/>2017</b> |
|------------|--------------------------------------|--------------------------------|--------------------------|--------------------------------|
| 1          | Permanent staff, showing separately: | <b>111</b>                     | <b>146</b>               | <b>149</b>                     |
|            | a) TESA staff                        | 40                             | 42                       | 44                             |
|            | b) Operative staff                   | 71                             | 104                      | 105                            |
| 2          | Seasonal staff                       | <b>30</b>                      | <b>242</b>               | <b>243</b>                     |
| 3          | <b>Total staff</b>                   | <b>141</b>                     | <b>388</b>               | <b>392</b>                     |

The Group has not undertaken obligations for pension plans other than the one stated by Law no, 263/2010 on the unitary system of public pensions, with the subsequent updates.

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**NOTE 6 - OPERATIONAL EXPENSES (EXCEPT EMPLOYEE BENEFITS)**

|             |  | RON   |   |
|-------------|--|---|---|
| No.         | Operational Expenses   | Financial year ended at<br>31 December 2018 | Financial year ended at 31<br>December 2017 |
| <b>1</b>    | <b>Expenses related to inventories:</b>                                    | <b>7,613,704</b>                            | <b>6,225,155</b>                            |
| <i>1.1</i>  | <i>Raw materials and consumables expenses</i>                              | <b>2,601,963</b>                            | <b>2,353,662</b>                            |
| <i>1.2.</i> | <i>Materials in form of small inventories and packaging expenses</i>       | <b>578,708</b>                              | <b>422,436</b>                              |
| <i>1.3.</i> | <i>Merchandise expenses</i>  | <b>4,433,033</b>                            | <b>3,449,057</b>                            |
| <b>2</b>    | <b>Utility expenses</b>  | <b>2,781,227</b>                            | <b>2,279,987</b>                            |
| <b>3</b>    | <b>Amortization/depreciation and impairment expenses of fixed assets</b>   | <b>7,243,810</b>                            | <b>7,268,161</b>                            |
| <b>4</b>    | <b>Expenses from disposed assets and non-current assets held for sale:</b> | <b>7,257,886</b>                            | <b>712,351</b>                              |
| <b>5</b>    | <b>Other taxes, duties and similar expenses</b>                            | <b>4,384,556</b>                            | <b>3,257,647</b>                            |
| <b>6</b>    | <b>External performance expenses</b>                                       | <b>5,644,659</b>                            | <b>3,583,838</b>                            |

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
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**NOTE 7 – SPECIFIC ACTIVITY TAX, CURRENT TAX AND DEFERRED TAX, EARNINGS PER SHARE (CONTINUED)**

Starting from January 1<sup>st</sup> 2017, according to Law 170/ 2016 on the specific activities tax, the legal Romanian persons which on 31 December 2016 have simultaneously fulfill the conditions:

- They were entered in Articles of Association, as a principal or secondary activity one of the activities corresponding to CAEN 5510 - " Hotels and other accommodation facilities', 5520 - "facilities for accommodation for holidays and periods of short duration", 5530 - "Parks for caravans, camping and camps", 5590 - "Other accommodation services", 5610 - "Restaurants", 5621 - " Food services activities (catering) for events", 5629 - "Other food services activities", 5630 - "Bars and other a beverage serving activities";
- Which actually carries on activities in the areas referred to in the preceding subparagraph;
- Not in liquidation, according to the law, are liable to pay tax to specific activities.

The Group shall carry out their activities subject to specific activity tax (CAEN code 5510, 5610 and 5630) via:

- A number of 21 Hotel resort ( hotel restaurant bar) with a capacity of the marketable production of 6,808 places of accommodation 4,952 places in restaurants and 674 seats in pubs/café's;
- buffet with a capacity of 30 seats and a commercial area of 46 square meters.

In accordance with the provisions of Article 5(2) of the detailed rules for the application of Law no.170/2016, e parent company calculated the specific tax for the period of the calendar year for which it carries out the activity, the period being set from the opening of the unit until the last day of the validity of the operating license for the units in the district of Mangalia mayoralty, and for the ones from the rayon of the municipality of Eforie, as no operating permits are issued for the hotel units, the entire period of the year was taken into account..

In table no.1 we present a summary of specific activity tax for 2018, in table no 2, 3, 4, the specific activity tax calculation on each resort, and in table no 5 the calculation for each hotel :

**TABLE no.1**

| <b>Nr. no</b> | <b>Indicators</b>  | <b>TOTAL year 2018</b> | <b>Total complex hotelier (hotel+ restaurant + bar)</b> | <b>Total 4 stars</b> | <b>Total 3 stars</b> | <b>Total 2 stars</b> | <b>Total alimentație publica</b> |
|---------------|--|------------------------|---|----------------------|----------------------|----------------------|----------------------------------|
| <b>1</b>      | <b>Accommodation places</b>  | <b>6,580</b>           | <b>6,580</b>  | 992                  | 3,446                | 2,142                | <b>0</b>                         |
|               | number of places buffet – independent catering   | <b>30</b>              | <b>0</b>  | 0                    | 0                    | 0                    | <b>30</b>                        |
| <b>2</b>      | Standard specific activity tax (k)   | <b>0</b>               | <b>0</b>  | 271                  | 171                  | 113                  | <b>1,400</b>                     |
| <b>3</b>      | <b>Specific activity tax /unit/ no. of days according to schedule of opening/closing in 2018 (RON)</b> | <b>439,629</b>         | <b>429,591</b>  | 154,895              | 158,277              | 116,420              | <b>10,038</b>                    |

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**NOTE 7 – SPECIFIC ACTIVITY TAX, CURRENT TAX AND DEFERRED TAX, EARNINGS PER SHARE (CONTINUED)**

**TABLE no.2**

| Nr. no | Indicators  | Total 4 stars | 4 stars                |                 |                  |
|--------|---|---------------|------------------------|-----------------|------------------|
|        |   |               | Complex Brad-Bran-Bega |                 | Cleopatra        |
| 1      | Accommodation places  | 992           | 146                    | 292             | 554              |
| 2      | Standard specific activity tax (k)  |               | 271                    | 271             | 271              |
| 3      | Number of working days according to the opening and closing schedule 2017 |               | 365                    | 365             | 88               |
| 4      | Specific activity tax /unit 2018 (RON)                                    | 154,895       | 39,566                 | 79,132          | 36,197           |
| 5      | The period for which the specific tax was calculated                      |               | 01 jan - 31 dec        | 01 jan - 31 dec | 16 jun - 11 sept |

**TABLE no. 3**

| Nr. No | Indicators   | Total 3 stars | 3 stars         |                |                |                |                 |                 |                |                |
|--------|--|---------------|-----------------|----------------|----------------|----------------|-----------------|-----------------|----------------|----------------|
|        |  |               | Hora            | Balada         | Sirena         | Cerna          | Raluca          | Lidia           | Narcis         | Siret          |
| 1      | Accommodation places                                 | 3,446         | 566             | 566            | 566            | 298            | 260             | 244             | 640            | 306            |
| 2      | Standard specific activity tax (k)                   |               | 171             | 171            | 171            | 171            | 171             | 171             | 171            | 171            |
| 3      | Number of working days                               |               | 131             | 93             | 100            | 91             | 71              | 90              | 88             | 100            |
| 4      | Specific activity tax /unit (RON)                    | 158,278       | 34,737          | 24,661         | 26,517         | 12,705         | 8,648           | 10,288          | 26,386         | 14,336         |
| 5      | The period for which the specific tax was calculated |               | 23 may -30 sept | 15 jun-16 sept | 08 jun-16 sept | 18 jun-16 sept | 22 jun- 10 sept | 14 jun -10 sept | 16 jun-10 sept | 08 jun-16 sept |

**TABLE no. 4**

| Nr. No | Indicators   | Total 2 stars |                |                |                |                |                |                |                |                |                 |
|--------|--|---------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|-----------------|
|        |  |               | Prahova        | Mures          | Aida           | Gloria         | Capitol        | Diana          | Venus          | Vraja Marii    | Atena           |
| 1      | Accommodation places                                 | 2,142         | 306            | 306            | 448            | 216            | 218            | 234            | 208            | 60             | 146             |
| 2      | Standard specific activity tax (k)                   | 0             | 0              | 0              | 0              | 0              | 0              | 0              | 0              |                |                 |
| 3      | Number of working days                               |               | 113            | 113            | 113            | 113            | 113            | 113            | 113            | 113            | 113             |
| 4      | Specific activity tax /unit/ (RON)                   | 116,419       | 7,673          | 7,389          | 10,818         | 6,286          | 24,634         | 26,442         | 23,504         | 6,780          | 2,893           |
| 5      | The period for which the specific tax was calculated |               | 18 jun-07 sept | 24 jun-10 sept | 24 jun-10 sept | 30 may- 31 aug | 01 jan- 31 dec | 01 jan- 31 dec | 01 jan- 31 dec | 01 jan- 31 dec | 29 jun- 01 sept |

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**NOTE 7 – SPECIFIC ACTIVITY TAX, CURRENT TAX AND DEFERRED TAX, EARNINGS PER SHARE (CONTINUED)**

**TABLE no. 5**

| No. | Indicators/Coefficients                                  | Total public services | Cold baths buffet |
|-----|--|-----------------------|-------------------|
| 1   | Number of places initially                               | 60                    | 60                |
| 2   | Number of places decreased                               | 30                    | 30                |
| 3   | Standard tax value(k)                                    | 1,400                 | 1,400             |
| 4   | The variable according to the ranking of the locality(x) | 5                     | 5                 |
| 5   | The variable of the effective area of the location (y)   | 21                    | 21                |
| 6   | Seasonality coefficient(z)                               | 0.3                   | 0.3               |
| 7   | Write-down coefficient for the technical area (q)        | 0.9                   | 0.9               |
| 8   | <b>F=k*x*y*z*q(RO)</b>                                   | <b>10,038</b>         | <b>10,038</b>     |

In accordance with the requirements of art.10 of Law 170/2016, related to specific activities tax for some activities taking into consideration that the entity derives revenues from other activities that aren't included in the corresponding CAEN codes subjected to the specific activity tax, applying for these activities the declaration and payment system of the tax profit provided by Law no. 227/2015 with subsequent amendments and supplements.

The differences between regulations issued by the Ministry of Public Finance of Romania and accounting principles applied in preparing these financial statements generate temporary differences between the carrying amount and the tax base of certain assets and liabilities,

| No. | Explanation   | THR Marea Neagră SA (RON) | Balneoterapia SRL (RON) |
|-----|---|---------------------------|-------------------------|
| 1   | <b>Total income, of which:</b>                                    | <b>22,211,932</b>         | <b>2,798,008</b>        |
| 2   | Non-taxable income  | 969,660                   | 0                       |
| 3   | Items similar to income total, of which:                          | 1,215,682                 | 0                       |
| 4   | Taxable income  | 22,457,954                | 2,798,203               |
| 5   | Total expenses, of which:   | 21,714,865                | 2,996,268               |
|     | <i>Non-deductible expenses</i>                                    | 5,275,043                 | 0                       |
|     | Current income tax expenses                                       | 930,777                   |                         |
|     | Income deferred tax expenses                                      | 109,434                   | 0                       |
| 6   | <b>The difference between the accounting and tax depreciation</b> | <b>(16,723)</b>           | <b>0</b>                |
| 7   | Legal reserve tax profit  | 1,537,278                 | 0                       |
| 8   | <b>Taxable profit / (tax loss)</b>                                | <b>5,836,855</b>          | <b>(198,065)</b>        |
| 9   | Legal reserve   | 76,864                    | 0                       |
| 10  | <b>Tax profit due</b>   | <b>933,897</b>            | <b>0</b>                |
| 11  | <b>Fiscal credit</b>  | <b>3,120</b>              | <b>0</b>                |
| 12  | <b>Profit tax on payment</b>                                      | <b>930,777</b>            | <b>0</b>                |

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**NOTE 7 - CURRENT TAX AND DEFERRED TAX. EARNINGS PER SHARE (CONTINUED)**

**Earnings per share**

Earnings per share is calculated by dividing the net profit attributable to shareholders of the Group for the financial year 2018 amounted to **9,400,951 RON** on weighted average number of ordinary shares in circulation to 578,949,939 adjusted with self-owned shares value. Diluted earnings per share is determined by adjusting net profit attributable to ordinary shareholders and the weighted average number of shares outstanding, adjusted with self-owned shares value, dilution effects of all potential ordinary shares.

**Profit attributable to ordinary shareholders**

|   | <b>RON</b>         |                    |
|---|--------------------|--------------------|
|   | <b>2018</b>        | <b>2017</b>        |
| Profit (loss) for the period  | 9,400,951          | 1,616,036          |
| Profit (loss) for the period attributable to ordinary shareholders  | 9,400,951          | 1,616,036          |
| <b>Weighted average number of ordinary shares</b>                   | 578,949,939        | 578,949,939        |
| Ordinary shares issued at 1 January                                 | 0                  | 0                  |
| Effect of self -owned shares held                                   |                    |                    |
| Weighted average number of ordinary shares at 31 December           | 578,949,939        | 578,949,939        |
| <b>Earnings per share (basic)</b>                                   | <b>0.0162</b>      | <b>0.0028</b>      |
| Profit attributable to ordinary shareholders (basic)                | 9,400,951          | 1,616,036          |
| Convertible bonds interest expenses after tax                       |                    |                    |
| Profit attributable to ordinary shareholders (diluted)              | 9,400,951          | 1,616,036          |
| <b>Weighted average number of ordinary shares (diluted)</b>         | <b>578,949,939</b> | <b>578,949,939</b> |
| Weighted average number of ordinary shares (basic)                  | 578,949,939        | 578,949,939        |
| Effect of conversion of convertible bonds                           |                    |                    |
| Effect of share options issued                                      |                    |                    |
| Weighted average number of ordinary shares (diluted) at 31 December | 578,949,939        | 578,949,939        |
| <b>Earnings per share (diluted)</b>                                 | <b>0.0162</b>      | <b>0.0028</b>      |

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
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 (All amounts are presented in RON)

**NOTE 8 - TANGIBLE NON-CURRENT ASSETS**

|  | RON               |                    |                   |                        |  |                     |
|--|-------------------|--------------------|-------------------|------------------------|--|---------------------|
| Description  | Property          | Plant              | Equipment         | Furniture and Fixtures | Advance payments for assets and work in progress | Total               |
| 0  | 1                 | 2                  | 3                 | 4                      | 5  | 6                   |
| <b>Cost or assumed cost</b>                                  |                   |                    |                   |                        |  |                     |
| <b>Balance at January 1, 2017</b>                            | <b>83,619,733</b> | <b>111,794,978</b> | <b>20,983,600</b> | <b>16,490,755</b>      | <b>1,355,732</b>                                 | <b>234,244,797</b>  |
| Acquisitions   | 0                 | 4,414,180          | 20,791            | 24,874                 | 4,247,446  | <b>8,707,291</b>    |
| Reclassification of small inventory to fixed assets (Growth) | 547,563           | 0                  | 0                 | 0                      | 0  | <b>547,563</b>      |
| Disposals of non-current assets                              | (24,428,840)      | (2,852,666)        | (30,624)          | (3,923)                | (4,611,894)                                      | <b>(31,927,946)</b> |
| <b>Balance at December 31, 2017</b>                          | <b>59,738,456</b> | <b>113,356,492</b> | <b>20,973,768</b> | <b>16,511,706</b>      | <b>991,284</b>                                   | <b>211,571,705</b>  |
| <b>Balance at January 1, 2018</b>                            | <b>59,738,456</b> | <b>113,356,492</b> | <b>20,973,768</b> | <b>16,511,706</b>      | <b>991,284</b>                                   | <b>211,571,706</b>  |
| Acquisitions   | 0                 | 5,059,156          | 291,015           | 836,506                | 6,617,406  | <b>12,804,083</b>   |
| Reclassification of small inventory to fixed assets (Growth) | 0                 | 50                 |                   |                        | 0  | <b>50</b>           |
| Disposals of non-current assets / Impairments                | (1,142,908)       | (5,888,245)        | (235,234)         | (36,497)               | (6,150,220)                                      | <b>(13,453,104)</b> |
| <b>Balance at December 31, 2018</b>                          | <b>58,595,548</b> | <b>112,527,453</b> | <b>21,029,548</b> | <b>17,311,715</b>      | <b>1,458,470</b>                                 | <b>210,922,735</b>  |
| <b>Depreciation and impairment losses</b>                    |                   |                    |                   |                        |  |                     |
| <b>Balance at January 1, 2017</b>                            | <b>4,118</b>      | <b>3,120,156</b>   | <b>9,490,475</b>  | <b>5,408,279</b>       | <b>0</b>   | <b>18,023,028</b>   |
| Period depreciation  | 0                 | 3,261,267          | 2,203,990         | 1,556,838              | 0  | 7,022,095           |
| Impairment losses  | 0                 | 0                  | 0                 | 0                      | 0  | 0                   |
| Buildings Depreciation                                       | 0                 | (46,637)           | (15,813)          | (1,349)                | 0  | (63,799)            |
| <b>Balance at December 31, 2017</b>                          | <b>4,118</b>      | <b>6,334,786</b>   | <b>11,678,653</b> | <b>6,963,767</b>       | <b>0</b>   | <b>24,981,324</b>   |
| <b>Balance at January 1, 2018</b>                            | <b>4,118</b>      | <b>6,334,786</b>   | <b>11,678,653</b> | <b>6,963,767</b>       | <b>0</b>   | <b>24,981,324</b>   |
| Period depreciation  |                   | 3,450,758          | 2,016,494         | 1,531,694              |  | 6,998,946           |
| Impairment losses  |                   | (484,108)          | (120,870)         | (38,460)               |  | (643,438)           |
| <b>Balance at December 31, 2018</b>                          | <b>4,118</b>      | <b>9,301,436</b>   | <b>13,574,277</b> | <b>8,457,001</b>       | <b>0</b>   | <b>31,336,832</b>   |
| <b>Balance at January 1, 2017</b>                            | <b>83,615,615</b> | <b>108,674,822</b> | <b>11,493,125</b> | <b>11,082,476</b>      | <b>1,355,732</b>                                 | <b>216,221,770</b>  |
| <b>Balance at December 31, 2017</b>                          | <b>59,734,338</b> | <b>107,021,706</b> | <b>9,295,115</b>  | <b>9,547,939</b>       | <b>991,285</b>                                   | <b>186,590,383</b>  |
| <b>Balance at January 1, 2018</b>                            | <b>59,734,338</b> | <b>107,021,706</b> | <b>9,295,115</b>  | <b>9,547,939</b>       | <b>991,284</b>                                   | <b>186,590,382</b>  |
| <b>Balance at December 31, 2018</b>                          | <b>58,591,430</b> | <b>103,226,017</b> | <b>7,455,272</b>  | <b>8,854,715</b>       | <b>1,458,471</b>                                 | <b>179,585,905</b>  |

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**NOTE 8 - TANGIBLE NON-CURRENT ASSETS (CONTINUED)**

On 31.12.2015 the group made the last revaluation of tangible non-current assets.

The Group revalued tangible non-current assets in the following years: 1999. 2002. 2003. 2005. 2007. 2009. 2011. 2012.

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

Revaluation differences recorded by the group on 31.12.2018 related assets located in its patrimony are 105,238,279 RON and cannot be distributed to shareholders

The revaluation differences according to the nature of the fixed assets have the following composition:

| Description  | 2018               | 2017               |
|--|--------------------|--------------------|
| Land revaluation reserves                          | 89,675,312         | 90,956,743         |
| Construction revaluation reserves                  | 12,663,454         | 13,658,937         |
| Reserves from revaluation of other tangible assets | 2,899,513          | 2,944,026          |
| <b>Total revaluation reserves</b>                  | <b>105,238,279</b> | <b>107,559,706</b> |

For tangible assets registered in the company's assets there were no changes in the method of determining the depreciation of tangible assets and no assets or parts of the expense expense on other expenses were reclassified.

The Company has entered into a contract with Porsche Mobility SRL to take over from Transilvania Travel SRL its rights and obligations arising from the Operational Leasing Contract having as object a Volkswagen Passenger. In the case of this lease, leasing payments, which include rents, administration fees, tire management, RCA, plane, etc. are recognized for the whole period of the contract as an expense.

Regarding tangible non-current assets, the Group has no restrictions on the ownership title.

The company owns as of 31.12.2018:

- all assets in the patrimony;
- land with a total area of **455,647.36** sqm (462,640.96 sqm existing at the beginning of the year, of which sold 6,993.60 sqm of Lidia complex in Venus, Saturn Confectionery, Flora Villa in Eforie Nord, Snack Bar Carmen Eforie Nord and a lot within the Danube Holiday Village) obtained as follows:
  - 414,201.82 square meters on the basis of certificates of ownership issued by the Ministry of Tourism for: Saturn SA, Venus SA, Eforie Nord SA, Eforie Sud SA and the surrender protocol between Neptun-Olimp S.A. and Miorița Estival 2002 SA;
  - 17,278.70 sqm purchased from the Eforie Nord City Hall in accordance with the sale and purchase contracts;
  - 24,166.84 sqm following the exchange with Mangalia City Hall and Eforie Nord City Hall.



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**NOTE 8 - TANGIBLE NON-CURRENT ASSETS (CONTINUED)**

**Assets pledged, mortgaged, restricted**

On December 31, 2018, the Company has mortgages on the assets of Complex Hotel - Sirena Restaurant in Saturn and the related land in favor of BCR, the value of the guaranteed loan amounting to 7,500,000 RON, as at 31.12.2018 being unused.

**Investments**

In 2018, the parent company made investments amounting to 8,626,767 RON (including VAT), which we present in the table below:

| No. | Unit   | The investment objective   | RON                   |              |            |
|-----|--|--|-----------------------|--------------|------------|
|     |  |  | Total value of which: | Construction | Facilities |
| 1   | Hotel Diana  | Interior work, Furniture and carpets, Wood carpentry of wood   | 1,045,976             | 662,933      | 383,043    |
| 2   | Restaurant Cerna   | Kitchen extension, kitchen equipments, construction works, plumbing, painting, electrical installations  | 929,446               | 720,776      | 208,670    |
| 3   | Hotel Venus + CT   | Carpet rooms and halls, furniture, mounted tiles 1880 sqm, painting, wood carpentry 450 sqm, modernization of electrical panels CT   | 902,878               | 600,148      | 302,730    |
| 4   | Hotel Sirena   | Underfloor heating systems, Chiller, Design, installation of boiler, electrification and automation  | 621,288               | 621,288      | 0          |
| 5   | Hotel Balada   | Door rooms 1,2,8-13, carpets 1,2,8-13, Rehabilitation of electrical panels   | 618,077               | 618,077      | 0          |
| 6   | Restaurant Venus   | Hygiene kitchen space, lounge and terrace modernization, carpentry replaced, self-service line fitting, partial kitchen area rehabilitation, sanitary rehabilitation small parter salon, self-service line | 586,215               | 507,929      | 78,286     |
| 7   | Hotel Raluca   | Rehabilitation of facades  | 294,996               | 294,996      | 0          |
| 8   | Sediu administrativ  | Air conditioning, Intangible assets (licenses, works projects), electronically archived houses   | 288,839               | 14,278       | 274,560    |
| 9   | Piscina BBB, Raluca, Balada, Cleopatra   | Interior, exterior rehabilitation  | 191,257               | 191,257      | 0          |
| 10  | Sediu Administrativ  | Clarvision Economic Management System  | 170,925               | 170,925      | 0          |
| 11  | Hotel Bega   | Construction work, plumbing, painting, electrical installations  | 156,700               | 156,700      | 0          |
| 12  | H. Cleopatra, R. Cleopatra, H.+R. Sirena, H+R. Lidia, H+R Narcis, Complex BBB, | Preparation of ISU documentation   | 125,690               | 125,690      | 0          |
| 13  | Hotel Cleopatra  | Door halls access, anti- fire doors  | 118,829               | 118,829      | 0          |

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(All amounts are presented in RON)

**NOTE 8 - TANGIBLE NON-CURRENT ASSETS (CONTINUED)**

|     |                           |  |                  |                  |                  |
|-----|---------------------------|--|------------------|------------------|------------------|
| 14  | Hotel Capitol             | Modernization of electric panels, refurbishment of 12 bathrooms                    | 100,051          | 100,051          | 0                |
| 15  | Hotel Aida                | fire scale   | 95,248           | 95,248           | 0                |
| 16  | Plaja Sector 1 Saturn     | Furnishing, beach design   | 92,839           | 0                | 92,839           |
| 17  | Restaurant Capitol        | Hidroizolație zona bucătărie, vestiare, modernizare tablouri electrice             | 85,275           | 85,275           | 0                |
| 18  | Hotel Gloria              | Modernization of electrical panels   | 82,195           | 82,195           | 0                |
| 19  | Hotel Cerna               | Rehabilitation of sanitary groups and underground installations                    | 75,626           | 75,626           | 0                |
| 20  | Hotel Vraja Mării         | Modernization of electrical panels, rehabilitation of balconies, exterior painting | 67,887           | 67,887           | 0                |
| 21  | Sediu Administrativ       | BITSOFT - intangible assets (OPERA-Clarvision and MC-Clarvision interfaces)        | 57,259           | 57,259           | 0                |
| 22  | Restaurant Bega + Brad    | Kitchen equipments, fans   | 53,304           | 46,494           | 6,810            |
| 23  | Restaurant Balada         | Exterior aesthetics, kitchen equipments  | 52,568           | 41,557           | 11,011           |
| 24  | Restaurant Narcis         | Rehabilitation (completion of work commenced in 2016)                              | 23,614           | 23,614           | 0                |
| 25  | Restaurant Aida           | Fitting locker rooms   | 20,003           | 20,003           | 0                |
| 263 | Hotel Prahova             | repairing the facade   | 33,095           | 33,095           | 0                |
| 27  | Units of THR Marea Neagră | Construction work, plumbing, painting, electrical installations                    | 359,306          | 359,306          | 0                |
|     |                           | <b>TOTAL INVESTMENTS (lei excluding VAT)</b>                                       | <b>7,249,384</b> | <b>5,891,436</b> | <b>1,357,948</b> |
|     |                           | VAT  | 1,377,383        |                  |                  |
|     |                           | <b>TOTAL INVESTMENTS (lei including VAT)</b>                                       | <b>8,626,767</b> |                  |                  |

**NOTE 9 - INTANGIBLE ASSETS**

|  |                  | RON              |  |
|--|------------------|------------------|--|
| EXPLANATION                                | 31 December 2018 | 31 December 2017 |  |
| <b>I) Book value of intangible assets:</b> | <b>2,592,415</b> | <b>2,401,518</b> |  |
| Licenses + projects                        | 1,794,851        | 1,729,643        |  |
| Other intangible assets                    | 797,564          | 671,875          |  |
| <b>II) Decreases (amortization):</b>       | <b>2,229,702</b> | <b>1,986,532</b> |  |
| Licenses + projects                        | 1,632,743        | 1,416,155        |  |
| Other intangible assets                    | 596,959          | 570,377          |  |
| <b>III) Net book value</b>                 | <b>362,713</b>   | <b>414,986</b>   |  |
| a) Licenses + projects                     | 162,108          | 313,488          |  |
| b) Other intangible assets                 | 200,605          | 101,498          |  |

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**NOTE 9 - INTANGIBLE ASSETS (CONTINUED)**

The increase is mainly due to the execution of mandatory works under ISU legislation in force (Preparation of ISU Authorization Reports, preparation of fire intervention plans), implementation of new interfaces between the OPERA program, used in the receptions of hotels operated by THR Marea Black SA and the Clarvision accounting program, as well as the installation of some interfaces between the Materials Control program used in public catering establishments and the Clarvision accounting program.

All intangible assets have defined useful life, amortization method is linear in all cases for the useful life. According to the accounting policy adopted in the Group, life duration is up to 20 years for concessions, patents, licenses and up to 3 years for other assets. Intangible assets are booked at their cost.

All intangible assets are pointed in their cost value.

**NOTE 10 –INVESTMENT PROPERTY**

Investment properties are measured at using the fair-value model, and are disclosed as follows:

| RON                               |                         |                         |
|-----------------------------------|-------------------------|-------------------------|
| <b>Explanation</b>                | <b>31 December 2018</b> | <b>31 December 2017</b> |
| Complex Claudia (land+building)   | 0                       | 1,484,529               |
| Complex Minerva (land+building)   | 821,980                 | 807,441                 |
| Complex Miorita (land+building)   | 7,883,371               | 7,819,118               |
| Complex Semiramis (land+building) | 6,247,559               | 5,968,634               |
| Atelier Mecanic Saturn land       | 675,880                 | 675,272                 |
| Semiramis beach buffet land       | 436,510                 | 436,118                 |
| <b>Total</b>                      | <b>16,065,300</b>       | <b>17,191,112</b>       |

Assets classified as investment properties were evaluated by independent evaluators (IPIEV Consulting) in a corporate member of ANEVAR. with certificate number 0250 - 01/01/2016. The company's headquarter is located in Bucuresti. Nicolae Grigorescu Bvd. nr. 29A. bl. N22. sc. B. et. 4. ap.53. sector 3. Its trade registration number is J40 / 10356/2001 and it is a corporate member of ANEVAR certified by nr. 0250/01.01.2016.

The approaches used in the evaluation were: cost approach - replacement cost method and income approach – discounted future cash-flow method.

Analyzing all estimated values according to the approach. in the present case. the selected property value is obtained by the cost approach. given the purpose of the assessment made.

For assets recognized as investment property there are leases signed. Rental incomes are recognized in the income statement and are presented in Note 4 - Income from operating activities.

The inputs used in measuring fair value techniques are classified by level 2, comprising inputs other than quoted prices included in Level 1 that are observable for the asset or liability in question, either directly or indirectly,

Level 2 Inputs include quoted prices in active markets for similar assets or liabilities, quoted prices in markets that are not active for identical or similar assets or liabilities, observable inputs other than quoted prices for the asset or liability and data input or results mainly in conjunction with observable market data by correlation or other means.

In 2018, the Claudia Complex (building + land) was reclassified as an asset held for sale;

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**NOTE 10 –INVESTMENT PROPERTY (CONTINUED)**

Fair value adjustments to assets classified as investment property in profit and loss at the end of 31.12.2018, and after evaluation:

**RON**

| Explanation                       | 31 December 2018   |   |                | 31 December 2017   |   |                  |
|-----------------------------------|--|---|----------------|--|---|------------------|
|                                   | Gains from fair value measurement of investment properties | Losses from fair value measurement of investment properties | Gains/Losses   | Gains from fair value measurement of investment properties | Gains/losses from fair value measurement of investment properties | Gains/Losses     |
| Complex Claudia (land+building)   | 0  | 0   | 0              | 108,475  | 0   | 108,475          |
| Complex Minerva (land+building)   | 14,539   | 0   | 14,539         | 57,861   | 0   | 57,861           |
| Complex Miorita (land+building)   | 64,253   | 0   | 64,253         | 703,336  | 0   | 703,336          |
| Complex Semiramis (land+building) | 278,925  | 0   | 278,925        | 180,202  | 0   | 180,202          |
| Machine Shop Saturn – land        | 608  | 0   | 608            | 43,688   | 0   | 43,688           |
| Semiramis beach buffet – land     | 392  | 0   | 392            | 49,738   | 0   | 49,738           |
| <b>Total</b>                      | <b>358,717</b>   | <b>0</b>  | <b>358,717</b> | <b>1,143,300</b>   | <b>0</b>  | <b>1,143,300</b> |

**NOTE 11 – FINANCIAL ASSETS**

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

- investments in subsidiaries. jointly controlled entities and associates are recognized at cost,
- short-term investments held for sale unlisted on the stock exchange market are recorded at cost. For value depreciation. the company makes adjustments (the depreciation treatment for these securities is determined by IAS 39. paragraph 63) ,
- short-term investments held for sale listed, on the stock exchange market, are recorded at fair value (the value of trading on the last day of the year). In case of winnings or losses, they will be recognized in equity. If there are any indicators of impairment (as presented in paragraph 59 of IAS 39), as well as gains and losses from exchange rate differences, the loss of value is recognized in the period result. Related to Transilvania Hatels & Travel participation, THR has recognize at December, 31 2018 a total impairment due the insolvency of this company.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
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**NOTE 11 – FINANCIAL ASSETS (CONTINUED)**

| Other investment                          | 31 December 2018 |                  |                  | 31 December 2017 |            |                  |
|---|------------------|------------------|------------------|------------------|------------|------------------|
|   | Book value       | Impairment       | Net book value   | Book value       | Impairment | Net book value   |
| <b>Long-term investments</b>              |                  |                  |                  |                  |            |                  |
| Shares at Transilvania Hotels&Travel S.A. | 0                | 2,432,010        | 2,432,010        | 2,432,010        | 0          | 2,432,010        |
| <b>Long-term investments</b>              | <b>0</b>         | <b>2,432,010</b> | <b>2,432,010</b> | <b>2,432,010</b> | <b>0</b>   | <b>2,432,010</b> |

Long term securities are recognized in the financial statements in accordance with IAS 27 Consolidated and Separate Financial Statements, at cost. Securities that fall into the first category consist of equity of Transilvania Hotels&Travel SA being recognized at financial assets:

RON

| Company                       | Share capital % | 31 December 2018 | 31 December 2017 |
|-------------------------------|-----------------|------------------|------------------|
| Transilvania Hotels&Travel SA | 32.059%         | 2,432,010        | 2,432,010        |

Transilvania Hotels&Travel SA has a share capital of 7,586,120 RON, comprising 3,034,448 shares with a nominal value of 2.5 RON/share and has the registered office: Maria Rosetti Street, No. 35, branch 2, Bucuresti.

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**NOTE 12 – INVENTORIES**

| Inventories                                    | RON                               |                       |  |                                   |
|--|-----------------------------------|-----------------------|--|-----------------------------------|
|  | Book value (RON) at<br>31.12.2018 | Balance at 31.12.2018 | Adjustments for<br>depreciation 31.12.2017 | Book value (RON) at<br>31.12.2017 |
| Raw materials                                  | 218,990                           | 240,498               | 459,488                                    | 430,763                           |
| Materials of the nature of inventory objects   | 40,597                            | 10,021                | 50,619                                     | 2,617                             |
| Finished goods                                 | 0                                 | 0                     | 0  | 0                                 |
| Raw materials and consumables at third parties | 0                                 | 0                     | 0  | 0                                 |
| Merchandise                                    | 29,398                            | 0                     | 29,398                                     | 4,152                             |
| Packaging materials                            | 4,621                             | 0                     | 4,621                                      | 4,621                             |
| Advances for inventories acquisitions          | 612                               | 0                     | 612  | 0                                 |
| <b>Total</b>                                   | <b>294,218</b>                    | <b>250,519</b>        | <b>544,737</b>                             | <b>442,154</b>                    |

Stocks of materials are the nature of materials purchased for investment and repair work. Considering that some materials are very old and are not expected to be used in a too close time, they were adjusted in 2018 in the sense of depreciation with the amount of 212,215 RON.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
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**NOTE 13 – RECEIVABLES**

Receivables are presented in the financial statements depending on the nature of them (trade receivables and other receivables) at the likely amount to be collected.

| No   | Name  | Receivables at<br>31.12.2018 | Allowances at<br>31.12.2018 | Net book value of<br>receivables 31.12.2018 | Net book value of<br>receivables 31.12.2017 | Variation of receivables<br>2018/2017 (%) |
|------|---|------------------------------|-----------------------------|---|---|---|
| 1    | Trade receivables and other<br>receivable from which: | <b>2,566,175</b>             | <b>1,727,934</b>            | <b>4,294,109</b>                            | <b>4,933,051</b>                            | <b>52.02%</b>                             |
| 1.1. | Trade receivables from which:                         | 794,963                      | 1,727,934                   | <b>2,522,897</b>                            | 1,566,343                                   | <b>50.75%</b>                             |
|      | <i>Transilvania Hotels &amp; Travel SA</i>            | 3,664                        | 443,593                     | <b>447,257</b>                              | 670,329                                     | <b>0.55%</b>                              |
| 1.2. | Receivables from state budget                         | 1,593,574                    |                             | <b>1,593,574</b>                            | 3,227,959                                   | <b>49.37%</b>                             |
| 1.3. | Debtors active sales                                  | 0                            |                             | <b>0</b>                                    | 0   |   |
| 1.4. | Sundry debtors  | 27,113                       |                             | <b>27,113</b>                               | 216   | <b>12552.12%</b>                          |
| 1.5. | Other receivables                                     | 150,526                      |                             | <b>150,526</b>                              | 138,533                                     | <b>108.66%</b>                            |
| 2    | Current income tax receivables                        | <b>38,336</b>                |                             | <b>38,336</b>                               | <b>38,336</b>                               | <b>100.00%</b>                            |
|      | <b>Total</b>  | <b>2,604,511</b>             | <b>1,727,934</b>            | <b>4,332,445</b>                            | <b>4,971,387</b>                            | <b>52.39%</b>                             |

The receivables of the Group recorded as of December 31, 2018 a reduction of 47.61% compared to the receivables recorded at 31.12.2017, and consist of:

- commercial receivables represented by tourist services and other services rendered by THR Marea Neagra to third parties, amounting to 2,566,175 RON which have been adjusted with the amount of 1,727,934 RON representing debts older than one year for the services rendered to Rugby Club Constanta, Mareea Comtur SRL, Transilvania Hotels & Travel SA, Romanian Boxing Federation, Sind Tour Operator, ACS Cuza Sport, Ager Construct and Remat Sud Mangalia;
- receivables to the state budget represented mainly by VAT to be recovered in the amount of 1,547,848 RON;
- other receivables are represented mainly by the interest receivable at deposits with BCR in the amount of 46,049 RON, various attachments of ANAF which in January 2019 will extinguish from the debts of the company to the State Budget, BEJ attachments to be repaid at the beginning of 2019.

Depending on their age, the book value of receivables is:

| Receivables  | Total at 31.12.2018 | Under 30 days  | 30-180 days      | 181-365 days   | >1 year          |
|--|---------------------|----------------|------------------|----------------|------------------|
| Trade receivables and other receivable from which: | <b>4,294,109</b>    | <b>183,647</b> | <b>1,288,176</b> | <b>552,836</b> | <b>2,269,450</b> |
| Trade receivables from which:                      | <b>2,522,897</b>    | 75,224         | 685,558          | 32,520         | 1,729,595        |
| <i>Transilvania Hotels &amp; Travel SA</i>         | 447,257             | 0              | 3,664            | 0              | 443,593          |
| Receivables from state budget                      | 1,593,574           | 8,743          | 562,204          | 514,963        | 507,664          |
| Debtors active sales                               | 0                   | 0              | 0                | 0              | 0                |
| Sundry debtors                                     | 27,113              | 10,913         | 10,805           | 5,245          | 149              |
| Other receivable                                   | 150,526             | 88,767         | 29,608           | 108            | 32,042           |
| Current income tax receivables                     | <b>38,336</b>       | <b>0</b>       | <b>0</b>         | <b>0</b>       | <b>38,336</b>    |
| <b>Total</b>                                       | <b>4,332,445</b>    | <b>183,647</b> | <b>1,288,176</b> | <b>552,836</b> | <b>2,307,786</b> |

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**NOTE 14 - ACCRUED EXPENSES**

|   | <b>RON</b>         |                    |
|---|--------------------|--------------------|
| <b>Accrued expenses</b>   | <b>31.dec.2018</b> | <b>31.dec.2017</b> |
| Wear inventory items  | 853,622            | 742,361            |
| The annual activity fee for mineral resource exploration                        | 0                  | 137                |
| Tax vignette  | 230                | 184                |
| Tax and local tax expenses  | 56                 | 0                  |
| Insurance policies (CASCO, RCA, events, civil liability administrator, manager) | 41,384             | 39,334             |
| <b>Total accrued expenses</b>   | <b>895,292</b>     | <b>782,016</b>     |

**NOTE 15 - CASH AND CASH EQUIVALENTS**

|                                    | <b>RON</b>        |                   |
|------------------------------------|-------------------|-------------------|
| <b>Explanation</b>                 | <b>31.12.2018</b> | <b>31.12.2017</b> |
| Bank accounts in RON               | 27,955,140        | 5,609,914         |
| Bank account in foreign currencies | 1,587             | 900               |
| Petty cash in RON                  | 26,868            | 19,388            |
| Other values                       | 2,308             | 5,603             |
| <b>Total</b>                       | <b>27,985,903</b> | <b>5,635,805</b>  |



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**NOTE 16 –NON-CURRENT ASSETS HELD FOR SALE**

|    |  |  |  |  |  |   | RON  |
|----|--|--|--|--|--|---|--|
| NO | Category   | Book value of non-current assets held for sale in 2018 | Book value of assets disposed or disposed through reclassification in 2018 | Book value of non-current assets held for sale at 31.12.2018 | Book value of non-current assets held for sale in 2017 | Book value of non-current assets sold in 2017 | Book value of non-current assets held for sale at 31.12.2017 |
| 1  | Restaurant Minerva                               | 239  | 0  | 149,672  | 149,433  | 0   | 149,433  |
| 2  | Restaurant  Sulina                               | 1,353  | 0  | 89,705   | 88,351   | 0   | 88,351   |
| 3  | Restaurant Dunarea                               | 1,611  | 0  | 176,298  | 174,688  | 0   | 174,688  |
| 4  | Complex Atena (hotel + restaurant)               | 11,059   | 0  | 1,322,520  | 1,311,461  | 0   | 1,311,461  |
| 5  | Complex Tosca (Hotel + restaurant + buffet)      | 30,366   | 0  | 2,920,388  | 113,049  | 0   | 2,890,022  |
| 6  | Stop on the tour Saturn                          | 239  | 0  | 32,452   | 32,213   | 0   | 32,213   |
| 7  | CP 3 Saturn                                      | 3,021  | 0  | 182,082  | 179,061  | 0   | 179,061  |
| 8  | Restaurant Pelican                               | 0  | 0  | 145,092  | 145,092  | 0   | 145,092  |
| 9  | GG Jupiter                                       | 0  | 0  | 451,633  | 451,633  | 0   | 451,633  |
| 10 | Bakery Saturn                                    | 0  | 19,035   | 0  | 19,035   | 0   | 19,035   |
| 11 | Restaurant Mercur                                | 0  | 0  | 0  | 4,110  | 117,790                                       | 0  |
| 12 | Complex Venus (Hotel + restaurant)               | 0  | 0  | 0  | 0  | 1,010,910                                     | 0  |
| 13 | Garden/restaurant Rapsodia                       | 0  | 0  | 315,431  | 264,658  | 43,912  | 315,431  |
| 14 | Hotel Ancora                                     | 0  | 0  | 258,532  | 0  | 0   | 258,532  |
| 15 | Complex Capitol (Hotel + restaurant)             | 185,326  | 0  | 729,210  | 60,862   | 0   | 543,884  |
| 16 | Hotel Gloria                                     | 82,195   | 0  | 567,435  | 43,414   | 0   | 485,240  |
| 17 | Complex Magura (Hotel + restaurant)              | 0  | 0  | 1,526,033  | 32,881   | 0   | 1,526,033  |
| 18 | Hotel Riviera                                    | 0  | 464,177  | 0  | 0  | 0   | 464,177  |
| 19 | Hotel Meteor                                     | 0  | 0  | 246,812  | 246,812  | 0   | 246,812  |
| 20 | CT Neon  | 0  | 0  | 0  | 75,334   | 205,370                                       | 0  |
| 21 | Complex Claudia (Hotel + restaurant)             | 438,652  | 0  | 438,652  | 0  | 0   | 0  |
|    | <b>TOTAL BUILDINGS</b>                           | <b>754,061</b>   | <b>483,212</b>   | <b>9,551,947</b>   | <b>3,392,088</b>                                       | <b>1,377,981</b>                              | <b>9,281,098</b>   |
| 1  | Land Restaurant Minerva                          | 0  |  | 1,813,760  | 1,813,760  |   | 1,813,760  |
| 2  | Land Restaurant  Sulina                          | 0  |  | 1,458,496  | 1,458,496  |   | 1,458,496  |
| 3  | Land Restaurant Dunarea                          | 0  |  | 1,183,104  | 1,183,104  |   | 1,183,104  |
| 4  | Land Complex Atena (hotel + restaurant)          | 0  |  | 1,251,952  | 1,251,952  |   | 1,251,952  |
| 5  | Land Complex Tosca (Hotel + restaurant + buffet) | 0  | 0  | 2,602,496  | 0  | 0   | 2,602,496  |
| 6  | Land – stop on the tour Saturn                   | 0  |  | 15,890,160   | 15,890,160   |   | 15,890,160   |

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| NO | Category                                   | Book value of non-current assets held for sale in 2018 | Book value of assets disposed or disposed through reclassification in 2018 | Book value of non-current assets held for sale at 31.12.2018 | Book value of non-current assets held for sale in 2017 | Book value of non-current assets sold in 2017 | Book value of non-current assets held for sale at 31.12.2017 |
|----|--|--|--|--|--|---|--|
| 7  | Land CP 3 Saturn                           | 0  |  | 791,024  | 791,024  |   | 791,024  |
| 8  | Land Restaurant Pelican                    | 0  |  | 668,304  | 668,304  |   | 668,304  |
| 9  | Land GG Jupiter                            | 0  |  | 1,080,560  | 1,080,560  |   | 1,080,560  |
| 10 | Land - Bakery Saturn                       | 0  | 127,504  | 0  | 127,504  |   | 127,504  |
| 11 | Land Restaurant Mercur                     | 0  | 0  | 0  | 0  | 222,949                                       | 0  |
| 12 | Land Complex Venus (Hotel + restaurant)    | 0  | 0  | 0  | 0  | 547,563                                       | 0  |
| 13 | Land - Garden Rapsodia                     | 0  | 0  | 233,022  | 0  | 0   | 233,022  |
| 14 | Land - Hotel Sport                         | 0  | 0  | 0  | 163,976  | 163,976                                       | 0  |
| 15 | Land - Snack Bar Carmen                    | 0  | 39,050   | 0  | 0  | 0   | 39,050   |
| 16 | Land complex Cocorul acces way             | 0  | 0  | 95,483   | 0  | 0   | 95,483   |
| 17 | Land complex Claudia                       | 1,045,877  | 0  | 1,045,877  | 0  | 0   | 0  |
| 18 | Land 383 sqm in the Vacanta Dunare Village | 79,664   | 79,664   | 0  | 0  | 0   | 0  |
|    | <b>TOTAL LANDS</b>                         | <b>1,125,541</b>                                       | <b>246,218</b>   | <b>28,114,238</b>  | <b>24,428,840</b>                                      | <b>934,488</b>                                | <b>27,234,915</b>  |
|    | <b>TOTAL ASSETS HELD FOR SALE</b>          | <b>1,879,602</b>                                       | <b>729,430</b>   | <b>37,666,185</b>  | <b>27,820,928</b>                                      | <b>2,312,469</b>                              | <b>36,516,013</b>  |

Non-current assets held for sale are stated at the lower value between the carrying amount and fair value less costs to sell. Any subsequent increase or decrease of value of these assets was recognized in profit or loss, based on a specialized evaluation

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**NOTE 16 –NON-CURRENT ASSETS HELD FOR SALE (CONTINUED)**

Profit from selling these non-current assets held for sale was recognized in profit and loss account as follows:

|  |  |  | RON  |  |             |
|--|--|--|--|--|-------------|
| 2018   |  |  | 2017   |  |             |
| Income from disposal of non-current assets held for sale | Expenses from disposal of non-current assets held for sale | Income from disposal of non-current assets held for sale | Expenses from disposal of non-current assets held for sale | Expenses from disposal of non-current assets held for sale | Profit/Loss |
| 14,673,559   | (7,257,886)  | 7,415,673  | 1,382,160  | (710,084)  | 672,076     |

Income from disposal of non-current assets held for sale were included on line 5 of the statement of profit or loss and other comprehensive income and disposal expenses of assets held for sale were presented in row 13 form the statement of comprehensive income.

Assets classified as held for sale were valued according to IFRS at 31.12.2018, the resulting amounts being greater than the amount recorded in the accounting. The bookkeeping of the assets held for sale was made at the carrying amount, ie at the lower value.

**NOTE 17 - THE SHARE CAPITAL. OWNERSHIP STRUCTURE AND CHANGES IN CAPITAL**

The subscribed and paid up share capital is amounted to 57,894,993.9 RON divided into a number of 578,949,939 shares. During the reporting periods subscribed and paid up share capital did not change.

Of the total number of shares issued and outstanding at December 31, 2018 and December 31, 2017:

- THR Marea Neagra SA does not hold redeemed shares;
- Its subsidiaries do not own shares (none of them is one of the shareholders of SIF Transilvania);

The main characteristics of the securities issued by T.H.R. Marea Neagra S.A.: common, nominative, of equal value and dematerialized shares issued at a nominal value of 0.10 RON / share.

During 2018 the share capital has not changed, the structure of shareholders at 31.12.2018 communicated by BVB:

| Shareholders name     | Percent(%)       | Shares             | Capital value(RON)   |
|-----------------------|------------------|--------------------|----------------------|
| SIF Transilvania S,A, | 77.7131%         | 449,920,140        | 44,992,014,00        |
| Other shareholders    | 22.2869%         | 129,029,799        | 12,902,979,90        |
| <b>TOTAL</b>          | <b>100.0000%</b> | <b>578,949,939</b> | <b>57,894,993,90</b> |

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
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**NOTE 17 - THE SHARE CAPITAL. OWNERSHIP STRUCTURE AND CHANGES IN CAPITAL (CONTINUED)**

The Group has no employee stock grant schemes and there are no restrictions on voting rights. It also has no knowledge of agreements between shareholders which may result in restrictions on the transfer of securities and / or voting rights.

THR Marea Neagră S.A. shares, are listed on the second category of Bucharest Stock Exchange started from 15 august 2002, with symbol "EFO". In the last trading day of 2018, 31.12.2018, the closing price was 0.0924 RON/share, compared to 0.098 RON/share at 30.12.2017.

**NOTE 18 - CAPITAL RESERVES. REVALUATION DIFFERENCES**

RON

| Explanation                                  | 31.12.2018         | 31.12.2017         |
|--|--------------------|--------------------|
| Revaluation surplus                          | 105,238,279        | 107,559,706        |
| Reserves                                     | 28,188,838         | 26,881,573         |
| Inflated reserves from application of IAS 29 | 16,745,901         | 16,746,301         |
| <b>Total reserve</b>                         | <b>150,173,018</b> | <b>151,187,580</b> |

The revaluation surplus refers to property and plant of the group and it was generated by the revaluations of tangible non-current assets in the years of 1999, 2002, 2003, 2005, 2007, 2009, 201, 2012 and 2015.

The revaluation differences decreased in 2018 mainly on the basis of the assets sold and derecognized, together with their transfer to retained earnings.

The reserves increased in 2018 on the distribution of the net profit of 2017 on other financing sources (741,712 RON) and on account of the distribution of the net profit of 2018 on the legal reserve (565,153 RON).

**NOTE 19 - RETAINED EARNINGS**

RON

| Element name   | 31.12.2018           | Decrease         | Increase         | 31.12.2017           |
|--|----------------------|------------------|------------------|----------------------|
| <i>Retained earnings except retained earnings from the adoption of IAS 29 for the first time</i> | <b>55,169,050</b>    | <b>3,086,565</b> | <b>5,332,192</b> | <b>52,923,423</b>    |
| Retained earnings representing non-distributed benefits  | 224,200              | 2,318,050        | 2,242,250        | 300,000              |
| Retained earnings from correction of accounting errors from previous years                       | 0                    | 0                | 768,516          | -768,516             |
| Revaluation surplus transferred to retained earnings   | 54,944,850           | 768,516          | 2,321,427        | 53,391,939           |
| Retained earnings from adoption of IFRS  | 0                    |                  | 0                | 0                    |
| <i>Retained earnings came following the application of IAS 29 for the first time</i>             | <b>(102,691,275)</b> | <b>0</b>         | <b>0</b>         | <b>(102,691,275)</b> |

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**NOTE 20 - OTHER ELEMENTS OF EQUITY**

RON

| <b>Other elements of equity</b>       | <b>31.12.2018</b>   | <b>31.12.2017</b>   |
|---------------------------------------|---------------------|---------------------|
| Deferred tax recognized in equity     | (12,491,449)        | (12,580,261)        |
| Profit distribution to legal reserve  | (565,153)           | -110,647            |
| <b>Total Other elements of equity</b> | <b>(13,056,602)</b> | <b>(12,690,908)</b> |

**NOTE 21 - LIABILITIES, LESS DEFERRED INCOME AND PROVISIONS**

Short-term liabilities of the group are amounted to 7,907,551 RON, depending on the time structure of chargeability, as:

RON

| <b>Short-term liabilities</b>                               | <b>Liabilities at 31.12.2017</b> | <b>Liabilities at 31.12.2018</b> | <b>under 30 days</b> | <b>30-90 days</b> | <b>91-180 days</b> | <b>181-270 days</b> | <b>between 270-365 days</b> |
|---|----------------------------------|----------------------------------|----------------------|-------------------|--------------------|---------------------|-----------------------------|
| Amounts owed to credit institutions                         | 800,000                          | 0                                | 0                    | 0                 | 0                  | 0                   | 0                           |
| Trade payables and other liabilities, including derivatives | 4,265,210                        | 7,907,551                        | 4,085,871            | 1,880,357         | 54,241             | 8,324               | 1,878,758                   |
| Advances collected for orders:                              | 709,062                          | 2,317,080                        | 71,533               | 372,833           | 0                  | 0                   | 1,872,714                   |
| Advances received from active sales                         | 0                                | 2,245,547                        | 0                    | 372,833           | 0                  | 0                   | 1,872,714                   |
| Other advances  | 709,062                          | 71,533                           | 71,533               | 0                 | 0                  | 0                   | 0                           |
| Trade payables  | 611,912                          | 981,297                          | 981,297              | 0                 | 0                  | 0                   | 0                           |
| Debts to the state budget                                   | 280,968                          | 1,437,437                        | 504,530              | 932,907           | 0                  | 0                   | 0                           |
| Debt with the staff   | 356,015                          | 451,570                          | 451,570              | 0                 | 0                  | 0                   | 0                           |
| Other liabilities   | 2,307,253                        | 2,720,167                        | 2,076,941            | 574,617           | 54,241             | 8,324               | 6,044                       |
| <b>Total</b>  | <b>5,065,210</b>                 | <b>7,907,551</b>                 | <b>4,085,871</b>     | <b>1,880,357</b>  | <b>54,241</b>      | <b>8,324</b>        | <b>1,878,758</b>            |

Short-term debts as of December 31, 2018, less accrued income and provisions, increased by 56.11% compared to the same period last year, due to:

- advances in the amount of 2,245,547 RON received for sale of Assets based on Active Selling Promises (Meteor Hotel, Ancora Hotel and Rhapsody Garden), advances that will close at the time of conclusion of the sale-purchase contracts;
- Guaranties in the amount of 579,180 RON, collected for participation in active buying auctions (Claudia complex, CFR travel agency), which will close at the time of conclusion of the sale-purchase contracts;
- tax on profit calculated at 31.12.2018 in the amount of 930,777 RON;
- service providers.

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**NOTE 21 - LIABILITIES, LESS DEFERRED INCOME AND PROVISIONS (CONTINUED)**

Depending on the time of chargeability their long-term liabilities are grouped as:

| Long-term liabilities                                       | RON                       |                           |                   |           |
|---|---------------------------|---------------------------|-------------------|-----------|
|   | Liabilities at 31.12.2017 | Liabilities at 31.12.2018 | 1-5 years         | > 5 years |
| Long term loans   | 1,600,000                 | 0                         | 0                 | 0         |
| Trade payables and other liabilities, including derivatives | 39,735                    | 65,160                    | 65,160            | 0         |
| Trade payables  | 0                         | 0                         | 0                 | 0         |
| Other liabilities   | 39,735                    | 65,160                    | 65,160            | 0         |
| <b>Deferred tax liabilities</b>                             | <b>13,160,564</b>         | <b>13,181,185</b>         | 13,181,185        | 0         |
| <b>Total</b>  | <b>14,800,299</b>         | <b>13,246,345</b>         | <b>13,246,345</b> | <b>0</b>  |

**NOTE 22 – PROVISIONS**

The parent company has no obligations for pension plans other than those provided by Law no. 263/2010 on the unitary pension system, as subsequently amended and supplemented. The collective labor agreement concluded for 2018 provides for a retirement premium at the level of a gross salary.

On December 31, 2018, the Company had the following provisions:

- provision for the amount of **6,000 RON** representing court costs occasioned by the settlement of an older file owed to Balu Eugenia;
- provision for the amount of **577,125 RON** representing claims for the improvement of the villa Flora during its exploitation by Cârja

Vasile in the file no. 3093/118/2016

- Provision for the amount of **9,000 RON** representing claims worth the stolen belongings of the Domuța Maria by unknown authors (tourist accommodated at Sirena Hotel) - File no.10133 / 296/2016

- Provision for the amount of **10,000 RON** representing the amount of 10000 paid by the applicant as a fine for the contravention, the payment of overtime, claims issued by Dumitrașcu Angela in File no.3282 / 118/2018;

- provision for the amount of **22,413 RON** representing additional indemnities for the use of phonograms due to the Union of Phonogram Producers;

- provision for the amount of **78,000 RON** representing taxes and accessories calculated additionally by Eforie City Hall;

- Provision for unpaid leave in the amount of **209,355 RON**;

- additional provision of employee retirement rights in the amount of **12,838 RON**;

- provision for the amount of **41,520 RON** representing court fees, lawyers' fees from files 2639/118/2017 and 4847/212/2010, amount claimed by Mateevici Alexandru, Zellinger, Stoicovici and others in file 15314/212/2018;

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**NOTE 22 – PROVISIONS (CONTINUED)**

The company canceled in 2018 provisions totaling 386,715 RON , representing a provision of 352,547 RON related to the final sentence issued in connection with the TV fee owed by THR Marea Neagra SA to the Romanian Television Company for the period 2012-2015 and a provision for 34,168 RON related to the final sentence issued in relation to the remuneration due to performers for the years 2013 and 2014 and due to CREDIDAM Bucharest.

**RON**

| <b>Explanation</b>                              | <b>31.12.2018</b> | <b>Provision 31.12.2018</b> | <b>Cancelling provision in 2018</b> | <b>31.12.2017</b> |
|---|-------------------|-----------------------------|-------------------------------------|-------------------|
| Provisions for litigation                       | 744,058           | 721,645                     | 386,715                             | 409,128           |
| Provisions for pensions and similar obligations | 247,034           | 222,193                     | 0                                   | 24,841            |
| <b>Total Provisions</b>                         | <b>991,092</b>    | <b>943,838</b>              | <b>386,715</b>                      | <b>433,969</b>    |

**NOTE 23 - RELATED PARTIES TRANSACTION**

Compared to 2017, in the year 2018 were carried out transactions with related parties, as set out in the tables below. Values presented include value added tax.

**RON**

| <b>Receivables</b>                       |  |   |
|--|--|---|
| <b>Related parties</b>                   | <b>Financial year ended at 31.dec.2018</b> | <b>Financial year ended at 31.dec .2017</b> |
| <i>Transilvania Hotels&amp;Travel SA</i> | 447,257                                    | 670,329                                     |
| <b>TOTAL</b>                             | <b>447,257</b>                             | <b>670,329</b>                              |
| <b>Liabilities</b>                       |  |   |
| <b>Related parties</b>                   | <b>Financial year ended at 31.dec.2018</b> | <b>Financial year ended at 31.dec .2017</b> |
| <i>Transilvania Hotels&amp;Travel SA</i> | 615,735                                    | 223,683                                     |
| <b>TOTAL</b>                             | <b>615,735</b>                             | <b>223,683</b>                              |
| <b>Sales</b>                             |  |   |
| <b>Related parties</b>                   | <b>Financial year ended at 31.dec.2018</b> | <b>Financial year ended at 31.dec .2017</b> |
| <i>Transilvania Hotels&amp;Travel SA</i> | 3,036,031                                  | 725,601                                     |
| <b>TOTAL</b>                             | <b>3,036,031</b>                           | <b>725,601</b>                              |
| <b>Acquisitions</b>                      |  |   |
| <b>Related parties</b>                   | <b>Financial year ended at 31.dec.2018</b> | <b>Financial year ended at 31.dec .2017</b> |
| <i>Transilvania Hotels&amp;Travel SA</i> | 615,735                                    | 319,589                                     |
| <b>TOTAL</b>                             | <b>615,735</b>                             | <b>319,589</b>                              |

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**NOTE 23 - RELATED PARTIES TRANSACTION (CONTINUED)**

According to IAS 24 "Related Party Disclosures" section, 17 specify that:

- outstanding balances of receivables and payables between related parties are related to trade transactions that are made on terms and conditions similar to terms and conditions that would have been accepted by third parties and are not warranted;
- we can not provide additional information on the given or received guarantees as it was not the case;
- we made adjustments for the depreciation of the amount of 443,592.84 RON representing the receivable related to the outstanding balance of Transylvania Hotels & Travel SA, a company in insolvency, with which THR Marea Neagra SA registered at the creditor table in 2017.

**NOTE 24 –CONTINGENT ASSETS AND CONTINGENT LIABILITIES**

In all THR disputes, it has undertaken the necessary diligence to protect the property right. In some situations, there are some litigations that claim THR assets.

The company is involved in a dispute with the Mangalia City Hall following the tax inspection carried out by it for the period 2008-2012, an inspection completed by the tax inspection report no.57355 / 10.11.2015, on the basis of which two tax decisions were issued, in a total amount of 7,604,311.45 RON.

The execution of the two decisions was suspended by the Constanța Court of Appeal - dossier no.776 / 118/2015, and the effects of the suspension subsisting until the date of the substantive settlement of the court action and which has as object the annulment of the tax decisions.

The Company has recognized and estimated that the amount of 1,577,262 RON representing:

- i) Tax of additional buildings in the amount of 482,520 RON representing the taxation of buildings without applying the 50% reduction granted by art.285 paragraph 2 of the Fiscal Code;
- ii) Additional land tax in the amount of 253.029 RON representing the tax without the 50% reduction provided by art.285 paragraph 2 of the Fiscal Code;
- iii) Accessories related to the tax on buildings and land set up by the control body in the amount of 841,713 RON.

For the difference between the value of the tax on buildings and land determined additionally by the control body and that recognized by the company, they were requested and received on the evaluation reports drawn up by PRECISS CONSULTING SRL on 31.12.2007, 31.12.2009, 31.12.2011 and 31.12.2012 which states that the fair value of the buildings at the time of valuations included the value of the functional elements and facilities and the upgrades made to the buildings to which it relates until the time of the reassessment, which leads to the conclusion that there are no additional risks for the company.

The Company also has the following disputes:

- with the Eforie Mayorality following a tax inspection for which a provision of 78,000 RON constituted additional tax and accessories calculated as at 31.12.2018;
- with Mareea Comtour SRL travel agency for the recovery of the amount of 1.191.170 RON representing the tourism services provided by the Company to the tourists arriving through the agency Mareea Comtour SRL plus late penalties;
- with Cârjă Vasile for the cancellation of its claims regarding the restitution by the Company of the value of the rates paid on the basis of the purchase contract for the villa Flora as well as the value of the improvements to the villa for which the Company constituted a provision of 577,125 RON.



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**NOTA 25 - SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS IN APPLYING ACCOUNTING POLICIES**

Preparation of financial statements in accordance with IFRS has involved the use of the Group's management to make judgments in applying accounting policies with implications carrying amount of assets and liabilities in the consolidated financial statements, such:

- tangible assets were revalued periodically, The evaluation was done by certified evaluators, members of ANEVAR.
- The fair values are based on market values respectively estimated value for which an asset could be exchanged on the valuation date in a transaction made in objective conditions, after proper marketing action, interested parties that are in full knowledge of the facts. In the absence of current prices in an active market, valuations are prepared by taking into account the aggregate amount of cash flows that could be estimated from the sale of the asset. To the annual net cash flows it is applied a rate of return that reflects the specific inherent risks in order to establish the fair value of the assets.
- assets carried at cost are evaluated for impairment in accordance with the accounting policies of the Group. The assessment for allowance of receivables is made individually and is based on management's best estimate of the present value of the cash flows expected to be received. To estimate these cash flows, the management makes certain estimates on the financial statements of the counterparty. Each impaired assets individually analyzed. Provisions accuracy depends on the estimation of future cash flows for specific counterparties. The amounts of provisions were estimated taking into account the chances of winning of the pending files to the competent courts. Because chances of winning results from the evaluation of the legal department grew, the Group would have to reduce its provisions made for these claims. However, the Group management considered it is not prudent to reverse provisions, and decided to keep them at the level of previous year.
- For the differences in fair value we have performed the calculation of the related deferred tax.

**NOTE 26 - SIGNIFICANT RISK MANAGEMENT POLICY**

Specific activity, determine the Group's exposure to a variety of general risk, but also specific risks and financial market on that operates. Risk is defined as the possibility of unfavorable deviations to arise, against expected levels due to random fluctuations. Significant risks have a high impact on the Group.

The purpose of risk assessment is to identify the significance level and effects of the risks assumed by the Group in investment activity.

In their activity, the Group may face uncontrollable risks, which are generally associated with external factors such as macroeconomic conditions, legislative changes, changes in the competitive environment etc.

Usually, however, the Group faced controllable risks, for which adopted active management policies and procedures (analysis, monitoring and control).

These risks are associated with internal invoices and nature of activity, the complexity of the organizational structure, quality of staff etc.

The main significant risks that the Group has to face, are:

- interest rate risk
- credit risk
- liquidity risk
- operational risk

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**NOTE 26 - SIGNIFICANT RISK MANAGEMENT POLICY**

**Interest rate risk**

Operating cash flows of the Group are affected by changes in interest rates, mainly in the case of lines of credit contracted depending on ROBOR.

**Credit risk**

Credit risk is the risk of recording losses or reaching the estimated profits, due to non-fulfillment of financial obligations. THR Marea Neagră SA has sold assets in installments, for which has calculated and collected interest rate. The rest of the price of contracts and interest are secured by mortgages on assets in favor of THR.

**Liquidity risk**

Liquidity is the ability of the Group to secure the necessary funds to fulfill all direct and indirect payable obligations , at a reasonable price at any time.

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

An analysis of assets and liabilities has been made, based on the remaining period from the balance sheet date to the contractual maturity date for the financial year 2018, as:

| <i>Explanation</i>                      | <b>Note</b> | <b>Book value</b>  | <b>Under 3 months</b> | <b>Between 3 and 12 months</b> | <b>Over 1 year</b> | <b>Indefinite maturity</b> |
|---|-------------|--------------------|-----------------------|--------------------------------|--------------------|----------------------------|
| <b>Assets</b>                           |             |                    |                       |                                |                    |                            |
| Cash and cash equivalents               | 15          | 27,985,903         | 27,985,903            | 0                              | 0                  | 0                          |
| Trade receivables and other receivables | 13          | 2,604,511          | 1,051,899             | 0                              | 4,763              | 1,547,849                  |
| Inventories                             | 12          | 294,218            | 157,653               | 131,944                        | 4,621              | 0                          |
| Expenses in advance                     |             | 895,292            | 345,382               | 164,990                        | 384,919            | 0                          |
| Current assets                          |             | 235,096,386        | 0                     | 0                              | 0                  | 235,096,386                |
| <b>Total assets</b>                     |             | <b>266,876,310</b> | <b>29,540,837</b>     | <b>296,934</b>                 | <b>394,304</b>     | <b>236,644,235</b>         |
| <b>Liabilities</b>                      |             |                    |                       |                                |                    |                            |
| Provisions                              | 22          | 991,092            | 0                     |                                |                    | 991,092                    |
| Trade payables and other payables       | 21          | 21,153,896         | 5,966,228             | 1,941,323                      | 65,160             | 13,181,185                 |
| Deferred income (Grants)                |             | 0                  | 0                     | 0                              | 0                  | 0                          |
| <b>Total liabilities</b>                |             | <b>22,144,987</b>  | <b>5,966,228</b>      | <b>1,941,323</b>               | <b>65,160</b>      | <b>14,172,277</b>          |
| <b>Liquidity surplus in the period</b>  |             | <b>244,731,323</b> | <b>23,574,610</b>     | <b>(1,644,389)</b>             | <b>329,144</b>     | <b>222,471,958</b>         |
| <b>Cumulative liquidity surplus</b>     |             | <b>244,731,323</b> | <b>23,574,610</b>     | <b>21,930,220</b>              | <b>22,259,364</b>  | <b>244,731,322</b>         |

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**NOTE 26 - SIGNIFICANT RISK MANAGEMENT POLICY (CONTINUED)**

**Capital management**

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

In order to maintain or change the capital structure, the Group may change the amount of dividends paid to shareholders, shareholders capital yield, issue new shares or sell assets to reduce debts.

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

| <i>Explanation</i>                      | <b>31 December 2018</b> | <b>31 December 2017</b> |
|---|-------------------------|-------------------------|
| Total liabilities (long and short term) | 22,144,987              | 20,299,477              |
| Cash and cash equivalents               | 27,985,903              | 5,635,805               |
| Total equity                            | 244,731,323             | 236,081,038             |
| <b>Net liabilities indicator</b>        | <b>(250,572,238)</b>    | <b>(221,417,366)</b>    |

Operational risk is the risk of recording losses or failure to achieve the estimated profits due to internal factors such as inadequate implementation of domestic activities, the existence of a personal or inadequate systems or due to external factors such as economic conditions, changes capital market, technological progress. Operational risk is inherent in all activities of the Group.

Defined policies for managing operational risk have considered each type of events that can generate significant risks and ways of their manifestations, to remove or reduce financial or reputational losses.

**NOTE 27 –SUBSEQUENT EVENTS**

We have no knowledge about events after the balance sheet date that would lead to significant influence on the data presented in the consolidated financial statements prepared for the financial year 2018.

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**NOTE 28 - BOARD OF DIRECTORS PROPOSAL FOR ALLOCATING NET PROFIT**

At the end of 2018 THR Marea Neagra SA Company has a net profit of 9,823,215 RON, which the Directorate proposes to be distributed as follows:

|  |                  |  |
|--|------------------|--|
| -The legal reserve in accordance with art. 183 of the Companies Law 31/1990. republished | 565,153,00 RON   |  |
| - Distribution of dividends to shareholders  | 4,348,566,52 RON |  |
| - Allocation fund development  | 4,909,495,48 RON |  |

The separate financial statements were approved by the Board of Directors on March 14, 2019 and were signed by:

CHAIRMAN OF THE BOARD OF DIRECTORS  
NARCISA MOSOIU

CHIEF FINANCIAL OFFICER  
MIRCEA CRISTIAN