

**EXPLANATORY NOTES TO THE ANNUAL FINANCIAL STATEMENTS**

**for the financial year ended on 31<sup>st</sup> December 2018**

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

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The individual financial statements of the Company Comcereal SA Tulcea for the financial year ended on 31<sup>st</sup> December 2018 were prepared in accordance with the Accounting Law no. 82/1991 republished in 2008, Order of the Public Finances Ministry no. 1802/2014 for the approval of the accounting regulations in compliance with the European directives and with the requirements of Order of the Public Finances Ministry 10/2019 – on the main aspects regarding the preparation and submission of the annual financial statements and of the annual accounting reports of the economic operators to the territorial units of the Ministry of Public Finances.

These financial statements refer only to Comcereal SA.

**NOTE 1: Information about the company**

***The Company COMCEREAL SA TULCEA*** is a joint stock company, with private share capital, which operates in the field of agriculture and food industry.

The main activity of the company is the represented by the conditioning, storage and selling of agricultural products. With a total storage capacity of approximately 137,000 tons of cereals and a capacity authorized by the Directorate for Agriculture and Rural Development Tulcea of 111,100 tons, the company occupies one of the leading places in Tulcea district in this domain, having the capacity to receive up to 2/3 of the agricultural production of the district.

The company Comcereal was established by the Government Decision 1054/1995, upon the reorganization of the former Romcereral – Autonomous Administration of Tulcea and its transformation into two economic agents, namely the Company Comcereal S.A. Tulcea and the National Agency for Agricultural Products – Autonomous Administration Tulcea.

**The Company COMCEREAL SA TULCEA**, has legal office in *Isacsei street, no. 73, 3<sup>rd</sup> fl., Tulcea, Unique Registration Code: RO 8392201*, registration no. in the Trade Register of Tulcea J36/165/1996, LEI Code 254900R1D1AN3UY3Q040 .

The company operates at its main headquarters and at the following work points:

1. *Company Comcereal SA Tulcea – Entity without legal personality – Reception Base of Mihail Kogalniceanu – M. Kogalniceanu Commune, Tulcea District, Fiscal Registration Code: 24302014;*
2. *Company Comcereal SA Tulcea – Entity without legal personality – Silo of Baia – Baia Commune, Tulcea District, Fiscal Registration Code: 24302057;*
3. *Company Comcereal SA Tulcea – Entity without legal personality – Reception Base of Casimcea – Casimcea Commune, Tulcea District, Fiscal Registration Code: 24302065;*
4. *Company Comcereal SA Tulcea – Entity without legal personality – Reception Base of Macin - Petru Rares Street, No. 1, Macin Town, Tulcea District, Fiscal Registration Code: 24302030;*
5. *Company Comcereal SA Tulcea – Entity without legal personality – Reception Base of Isaccea – Isaccea Town, Tulcea Tulcea;*
6. *Company Comcereal SA Tulcea – Entity without legal personality – Reception Base of Peceneaga – Peceneaga Commune, Tulcea District, Fiscal Registration Code: 24302049;*

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7. *Company Comcereal SA Tulcea – Entity without legal personality – Reception Base of Mahmudia – Mahmudia Commune, Tulcea District, Fiscal Registration Code: 24302006;*
8. *Company Comcereal SA Tulcea – Entity without legal personality – Mobile Base of Topolog – Topolog Village, Topolog Commune, Tulcea District;*
9. *Company Comcereal SA Tulcea – Entity without legal personality – Mobile Base of Horia – Horia Village, Horia Commune, Tulcea District.*

The Company has a share capital of 8,177,652.50 RON divided into 3,271,061 shares with a nominal value of 2.5 RON.

The consolidated annual financial statements are prepared by Argus SA Constanta.

The shares of the company are traded under the alternative trading system administered by the Bucharest Stock Exchange - AeRo, the trading symbol being CTUL.

**NOTA 2: Accounting principles, policies and methods**

The items presented in the annual financial statements are assessed in accordance with the following general accounting principles, in accordance with accrual accounting. These principles are presented below.

*1. Principle of continuity of business* – a principle that assumes that the unit normally continues its operation without going into a state of liquidation or significant reduction of the activity.

*2. The principle of permanence of the methods* – a principle which presupposes the continuity of applying the same rules and norms regarding the evaluation, the recording in the accounting and the presentation of the patrimonial elements and of the results, ensuring the comparability in time of the accounting information.

*3. The principle of prudence* – a principle which requires that the assessment be made on a prudent basis and in particular:

- only the profit made at the balance sheet date may be included;
- account must be taken of all debts incurred during the current financial year or during a previous year, even if they become apparent only between the balance sheet date and the date of its drawing;
- account must be taken of all foreseeable liabilities and potential losses incurred during the current financial year or during a previous year even if they become apparent only between the balance sheet date and the date of its drawing;
- all adjustments due to impairment must be taken into account, even if the result of the financial year is loss or profit.

*4. The principle of independence of the year.* Account must be taken of all revenue and expenditure corresponding to the financial year, regardless of the date of payment of the sums or expenditures.

*5. The principle of separate valuation of assets and liabilities.* According to this principle, the components of the asset or liability items must be valued separately.

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6. *The principle of intangibility.* The opening balance for each financial year must correspond to the closing balance sheet of the previous year.

7. *Principle of non-compensation.* Any compensation between the assets and debts elements or between items of income and expense is prohibited. Possible compensations between the receivables and debts of the entity to the same economic agent may be made, subject to legal provisions compliance, only after the income and expenses have been recorded in the accounts at full value.

8. *Principle of prevalence of the economic over the legal.* The disclosure of the values from the items in the balance sheet and the profit and loss account is made taking into account the economic substance of the transaction or of the reported operation and not only by their legal form.

9. *Principle of significance threshold.* Any item that has a significant value should be presented separately in the financial statements. The balance items and profit and loss account items that are preceded by Arabic figures can be combined if:

- these represent an insignificant amount;
- and such a combination offers a higher level of clarity, provided that the items so combined are presented separately in the explanatory notes.

The financial statements have been prepared and presented in accordance with the principles outlined above.

The company has prepared the annual financial statements based on the resulting verification balance based on the above-mentioned regulations.

These financial statements refer only to Comcereal SA.

The main accounting policies adopted in the preparation of these financial statements are presented below.

**A. The basics of the financial statements preparation**

**(1) General information**

These financial statements have been prepared in accordance with:

- the Order of the Public Finances Minister of Romania 1802/2014 regarding the approval of the accounting regulations in compliance with the European directives;
- the Accounting Law no. 82/1991 republished and amended.
- Order of the Public Finances Minister 10/2019 – on the main aspects related to the preparation and submission of the annual financial statements and the annual accounting reports of the economic operators to the territorial units of the Ministry of Public Finances.

**(2) Continuity of the activity**

These financial statements have been prepared based on the activity continuity principle, which implies that the Company will continue its activity in the foreseeable future. In order to assess the applicability of this assumption, the management examines the projections referring to future cash inflows.

Based on these analyses, the management believes that the Company will be able to continue its activity in the foreseeable future and therefore applying the activity continuity principle in the preparation of the financial statements is justified.

**B. The conversion of transactions in foreign currency**

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**1) Currency of the measurement of financial statements**

The financial statements are presented in RON, which is also the Company's measurement currency.

The rounding of amounts was made to plus or minus 1 leu, after the first two decimals.

The financial statements include:

- Balance sheet
- Profit and loss account
- Situation of changes in equity
- Situation of cash flows
- Explanatory notes to the annual financial statements.

**2) The transactions and balances in foreign currency**

The transactions of the Company in foreign currency are recorded at the exchange rates communicated by the National Bank of Romania ("BNR") for the transaction date. The foreign currency balances are converted into lei at the exchange rates communicated by the BNR for 31.12.2018, respectively 1 euro = 4.6639 lei, 1 usd = 4.0736 lei. The gains and losses arising from the settlement of the transactions in a foreign currency and from the conversion of assets and monetary liabilities expressed in foreign currency are recognized into the account of profit and loss, within the financial result.

**C. Intangible assets**

**(1) Cost**

**1.1 Goodwill**

The goodwill represents the difference between the cost of a purchase and the value at the date of the transaction of the share held by the Company in the subsidiary/purchased associate enterprise, at the acquisition date. The goodwill is amortized over a five-year period.

**1.2 Computer programs**

The software and computer licenses are recorded at the cost of acquisition and amortized on a period of maximum 3 years.

**1.3 Research and development expenses**

The research expenses are recorded in the profit and loss account when they are incurred. The expenditure afferent to the development programs (related to the design and testing of new or improved products) are recognized as intangible assets when it is probable that the project will be successfully launched taking into account the commercial and technical feasibility and the cost can be measured reliably. The development expenses that do not meet the above criteria are recorded at expenses when they occur. The development expenditures that have been recorded as expenses are not capitalized in later periods.

**1.4 Other intangible assets**

The patents, trademarks and other intangible assets are recognized at acquisition cost.

The intangible assets are not re-valued.

**(2) Amortization**

**2.1 Goodwill**

The goodwill is amortized over a five-year period.

**2.2 Computer programs**

The expenditures for the development of capitalized software programs are amortized using the straight-line method on a period of maximum 5 years.

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**2.3 Development expenses**

The capitalized development expenditures are amortized on a straight-line basis starting with the date of initiation of the product's commercial production for as long as the product generates economic benefits but not for more than five years.

**2.4 Other intangible assets**

The patents, trademarks and other intangible assets are amortized using the straight-line method over their useful lives, but not for more than 20 years. The licenses afferent to the computer software usage rights are amortized on a period of 3 years.

**(3) Profit/(loss) from the sale of some entities**

The gain or loss resulting from the sale of an entity includes the accounting value of the goodwill afferent to the sold entity.

**D. Tangible assets**

**(1) Cost/measurement**

The tangible assets are initially measured at the acquisition cost. The Company opted for the treatment of the periodic assessment of the tangible assets. A depreciation test of tangible assets is made annually according to which the decision to re-evaluate a group or the entire estate is made. The last re-evaluation was on 31 December 2014.

The fixed asset maintenance and repairs are recorded as expenses when they occur, and the improvements to the assets that increase their value or their useful lives are capitalized. The significant upgrades are capitalized only if they extend the life of the asset or significantly increase the ability to generate future economic benefits.

The fixed assets that are unaffected by the nature of the inventory items, including the utensils and tools, are recorded as expenses at the acquisition date and are not included in the accounting value of the tangible assets.

**(2) Amortization**

The amortization is calculated at the assessed value using the straight-line method over the estimated useful life of the assets, as follows:

<u>Assets</u>	<u>Years</u>
Constructions	10 - 40
Technical installations and machinery	2 - 12
Other installations, machinery and furniture	3 - 15

The land is not amortized because it is considered to have an indefinite life.

**(3) Sale/disposal of the tangible assets**

The tangible assets that are disposed or sold are removed from the balance sheet together with the amortization appropriately accumulated. Any profit or loss resulting from such an operation is included in the current profit and loss account.

**(4) The costs of indebtedness**

The expenses on interests afferent to all loans are recorded as expenses when they are incurred, except for the loans for the acquisition or construction of tangible assets, which are included in the value of the assets until the date of entry into service of the respective tangible assets. The subsequent interests are recorded as expenses.

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**E. Financial assets**

The participation titles are classified as held until the non-defined maturity, not being available for sale in order to meet the company’s temporary liquidity needs.

**F. Stocks**

The stocks are recorded at the date of entry into the company at acquisition cost. On exiting from the accounting, the cost is determined based on the specific identification method. The cost of services and the ongoing execution includes the materials, manpower and afferent indirect production expenses. Where necessary, provisions are made for slow-moving stocks (older than 3 years from the date of acquisition) physically or morally used in accordance with the accounting policies adopted in COMCEREAL SA. The net realizable value is estimated on the basis of the sale price less the finalization costs and the expenses for the sale.

**G. Commercial receivables**

The commercial receivables are recorded at the invoiced amount less the provision for the depreciation of these receivables. The provision for the depreciation of the commercial receivables is constituted if there is objective evidence that the Company will not be in a position to collect all the amounts at the initial terms. The provision is calculated as the difference between the value recorded in the accounting and the recoverable value, which is the present value of the future cash flows using the actual current rate afferent to a similar financial instrument.

**H. Short-term financial investment**

These include the short-term deposits with banks and other short-term high liquidity-providing investments as well as treasury bills.

**I. Cash and cash equivalents**

The cash and the cash equivalents are recorded in the balance sheet at costs. For the cash flow situation, its cash and cash equivalents include cash in hand, bank accounts, short-term financial investments, treasury advances and net of overdraft. In the balance sheet, the overdraft is shown in debts to be paid over a period of one year – amounts due to credit institutions.

**J. Share capital**

The ordinary shares are classified in equity.

**K. Dividends**

The dividends afferent to ordinary shares are recognized in equity during the period in which they are declared.

**L. Loans**

The short-term and long-term loans are initially recorded at the amount received, net of transaction costs.

The short-term portion of the long-term loans is classified in “Liabilities payable over a one-year period” and included with the interest accrued at the balance sheet date in “Amounts owed to credit institutions” in the current debts.

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**M. The accounting of leasing contract in which the Company is a lessee**

**(1) Financial leasing contracts**

The leasing contracts for tangible assets in which the Company assumes all the risks and benefits related to the property are classified as finance leasing contracts. The financial leases are capitalized at the estimated current value of payments. Each payment is split between the capital element and interest element to obtain a constant interest rate during the reimbursement. The amounts payable are included in short or long term debts. The interest element is recorded into the profit and loss account over the life of the contract. The assets held under financial leasing contracts are capitalized and amortized over their useful lives.

**(2) Operational leasing contract**

The leasing contracts in which a significant portion of the risks and benefits associated to the property are retained by the lessor, are classified as operating leasing contracts. The payments made under such a contract (net of any facilities granted by the lessor) are recognized in profit and loss account on a straight line basis over the life of the contract.

**N. Commercial payables**

The short-term commercial payables (maturing in less than 12 months) are recorded at the nominal value, approximating the fair value of the amounts to be paid for the goods or services received.

**O. Affiliated parties**

The parties are considered affiliated if one party, either through ownership, contractual rights, family relationships or relationships of other nature, has the possibility to directly control or significantly influence the other party. Entities that meet the conditions set out in Sub-chapter 1, Section 1(2) paragraph 12 of the Accounting Regulations, an integral part of Order of the Ministry of Public Finances 1802/2014 are considered affiliated entities. The affiliated parties of Comcereal SA:

- ARGUS SA CONSTANTA
- CEREAL PREST SRL

**P. Provisions for risks and expenses**

The provisions for risks and expenses are recognized when the Company has a legal or implicit obligation arising from past events when for the settlement of the obligation an outflow of resources embodying economic benefits is required and when a credible estimate of the value of the obligation can be made.

**Q. Employees' benefits**

*Pensions and other benefits after retirement*

In the normal course of the activity, the Company pays health, pension and unemployment benefits to the state funds for its employees at the statutory rates. All the employees of the Company are members of the Romanian state pension plan. These costs are recognized in the profit and loss account together with the recognition of salaries.

The company does not operate any other pension or retirement benefits plan and therefore has no other obligations regarding the pensions.

**R. Taxation**

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The Company records the current profit tax based on the taxable profit in the fiscal reports, according to the relevant Romanian legislation.

**S. Recognition of revenue**

The revenues refer to the sold goods and to the provided services. The revenues from the sale of goods are recognized when the Company transferred to the buyer the principal risks and benefits associated to the ownership of the goods. The revenues from royalties and rents are recognized on the basis of the engagement accounting principles according to the economic substance of the related contracts. The dividends are recognized as revenues when the legal right to receive these amounts is established.

**T. Turnover**

The turnover represents the invoiced amounts and amounts to be invoiced, net of VAT and commercial rebates, for delivered goods or services rendered to third parties.

**U. Debts and contingent assets**

The Company has no debts and contingent assets at 31 December 2018.

**V. Events after the balance sheet date**

For the preparation of the financial statements, the management of the company makes certain estimates and assumptions that affect the reported amounts of assets and liabilities at the balance sheet date as well as the income and expenses of the reported period. Actual results may differ from what you expected.

**W. Estimates**

The effect of the change in accounting estimates is calculated in advance and is included in the determination of the related net result:

- the period in which the change occurred, if it is the only affected period;
- the period of change and subsequent periods, if change affects all.

**X. Management of the financial risk**

Financial risk factors

Due to the nature of the activities it performs, the Company is exposed to various risks including: the credit risk, foreign exchange risk, interest rate risk and liquidity risk. The management aims to reduce the potential adverse effects associated with these risk factors on the Company's financial performance.

**1. The credit risk**

The Company is subject to credit risk due to its commercial receivables and to other types of receivables. The references on the clients' creditworthiness are normally obtained for all new customers, the receivables due date is carefully monitored, and the amounts due after the deadline are promptly tracked.

**2. Foreign exchange risk**

The company may be exposed to the exchange rate fluctuations through the debt generated by any foreign currency loans or commercial debts. Due to the high associated costs, the Company's policy is not to use financial instruments to mitigate this risk.



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3. *The interest rate risk*

The Company's cash flows are affected by the rate fluctuations of the interests.

4. *The liquidity risk*

The prudent management of the liquidity risk involves maintaining sufficient cash and available credit lines.

## NOTE 3: Fixed assets

Name of the fixed asset element	Gross value			
	Balance on 31.12.2017	Increases	Discounts	Balance on 31.12.2018
0	1	2	3	4
<b>I. Intangible fixed assets</b>				
Other intangible fixed assets	36,364	6,972		43,336
<b>Total intangible fixed assets</b>	<b>36,364</b>	<b>6,972</b>		<b>43,336</b>
<b>II Tangible assets</b>				
Lands and land developments	2,709,099			2,709,099
Constructions	15,693,863	44,933		15,738,796
Technological equipment and machines	2,968,513	229,394	28,383	3,169,524
Other installations, equipments, furniture	16,780		7,759	9,021
Fixed assets in progress	0	44,933	44,933	0
<b>Total tangible assets</b>	<b>21,388,255</b>	<b>319,260</b>	<b>81,075</b>	<b>21,626,440</b>
<b>III Financial fixed assets</b>	<b>1,034,487</b>			<b>1,034,487</b>
<b>GENERAL TOTAL</b>	<b>22,459,106</b>	<b>326,232</b>	<b>81,075</b>	<b>22,704,263</b>

Name of the fixed asset element	Value adjustment (amortizations and adjustments for the depreciation or loss of value)			
	Balance on 31.12.2017	Increases	Discounts	Balance on 31.12.2018
0	1	2	3	4
<b>I. Intangible fixed assets</b>				
Other intangible fixed assets	4,174	13,092		17,266
<b>Total intangible fixed assets</b>	<b>4,174</b>	<b>13,092</b>		<b>17,266</b>
<b>II Tangible assets</b>				
Lands and land developments				
Constructions	1,201,099	593,920		1,795,019
Technological equipment and machines	1,977,079	222,634	28,383	2,171,330
Other installations, equipments, furniture	14,504	590	7,748	7,346
<b>Total tangible assets</b>	<b>3,192,682</b>	<b>817,144</b>	<b>36,131</b>	<b>3,973,695</b>
<b>GENERAL TOTAL</b>	<b>3,196,856</b>	<b>830,236</b>	<b>36,131</b>	<b>3,990,961</b>

At 31<sup>st</sup> December 2018, the net accounting value of the intangible assets is 26,070 ron, representing mainly software licenses. These intangible assets are amortized over a three-year

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period starting the month following the commissioning by using the straight-line amortization method.

The last evaluation of the lands, buildings and special constructions belonging to the company was made on 31.12.2014 by an independent evaluator member of ANEVAR (TN: National Association of Authorized Evaluators in Romania), the values set for each asset taking into account their degree of wear and tear. The next valuation will be in 2019. During 2018, the straight-line method was used as the amortization method, the amortizable value of the tangible assets being allocated systematically over the useful life of the asset, there being no special situation requiring change the amortization method.

The tangible assets under execution in the amount of 44,933 lei represent works for the expansion of the storage capacity in the Reception Base of Macin and in the Baia Silo, modernization that was put into operation on 31.10.2018.

The financial assets consist of 103,360 shares held at Cereal Prest SRL, with a total value of 1,033,600 ron and other fixed receivables amounting to 887 ron.

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## NOTE 4: Stocks

On 31<sup>st</sup> December 2018 the stock situation is as follows:

Name	31 <sup>st</sup> Dec.	31 <sup>st</sup> Dec.
	2017	2018
Raw materials, materials and inventory objects (class 3 - 30)	12 169	9 967
Finished products and goods (3 - 37)	6 209 056	18 503 981
Advances for purchases of stocks (4091)	5 653 589	4 011 321
<b>Total stocks</b>	<b>11 874 814</b>	<b>22 525 269</b>

Comcereal SA does not have hard-to-sell stocks, has not recorded perishables and did not constitute adjustments on 31.12.2018.

Comcereal SA Tulcea carried out in 2018 the patrimony inventory according to the Order 2861/2009, Order of the Ministry of Finances 1802/2014 and Law 82/1991.

## NOTE 5: The receivables situation

RECEIVABLES	Balance on	Balance on	Term of liquidity	
	31.12.2017	31.12.2018	under 1 year	over 1 year
0	1 = 2 + 3		2	3
<b>Total, of which:</b>	<b>8 147 330</b>	<b>13 628 765</b>	<b>13 628 765</b>	<b>0</b>
internal clients (cat. 4111)	<b>6 991 143</b>	<b>13 298 312</b>	13 298 312	0
Advances for services provision (cat. 4092)	<b>128 955</b>	<b>49 352</b>	49 352	0
Clients invoices to be drawn up (cat. 418)	<b>0</b>	<b>-101 369</b>	-101 369	0
Non-payable VAT (on receipt)	<b>2 173</b>	<b>255</b>	255	0
Various debtors (cat. 461)	<b>304 500</b>	<b>382 215</b>	382 215	0
Settlements from ongoing operations	<b>28</b>	<b>0</b>	0	
VAT to be recovered	<b>720 531</b>	<b>0</b>	0	0

ADJUSTMENTS	Balance on	TRANSFERS		Balance on
	31.12.2017	Into the account	From the account	31.12.2018
0	1	2	3	4 = 1 + 2 - 3
Adjustments for depreciation of receivables (cat. 491)	1 553 546	182 783	7 501	1 728 828
<b>TOTAL</b>	<b>1 553 546</b>	<b>182 783</b>	<b>7 501</b>	<b>1 728 828</b>

Following the inventory of receivables it was found that there was a risk of non-payment for three of the clients in the balance at the end of 2018: Feurdean Marius Adrian, Samagro Green SRL and Papazu Nicolas Cristian – PFA (T.N.: Authorized Natural Person) for which a provision in the amount of 182,783 lei was established. The provisions for unsecured clients of the balance come from previous years and amount to 1,553,546 lei. Most of this value, 1,523,725 lei, represents the debts of the debtor Cereal Impex SRL.

The receipt of the adjustments constitutes for the uncertain, bad-payer clients or clients in litigation was made in accordance with the rules in force for the amounts registered in the previous years.

## NOTE 6: Available money

Ron	31 <sup>st</sup> December	31 <sup>st</sup> December
	2017	2018
Bank accounts	3 075 153	4 646 607

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Cash in hand	14 853	10 447
<b>Cash at the end of the period</b>	<b>3 090 006</b>	<b>4 657 054</b>
Other values	2 051	5 499
<b>Assimilated accounts</b>	<b>2 051</b>	<b>5 499</b>
<b>Cash and assimilated accounts</b>	<b>3 092 057</b>	<b>4 662 553</b>

"Other values" represents the sum of fuel vouchers unused until 31.12.2018.

## NOTE 7: Situation of Debts

DEBTS *)	Balance on 31.12.2017	Balance on 31.12.2018	Term of chargeability		
			under 1 year	1-5 years	over 5 years
0		1 = 2 + 3 + 4	2	3	4
<b>Total, of which:</b>	<b>9 973 661</b>	<b>26 651 037</b>	<b>26 596 588</b>	<b>54 449</b>	<b>0</b>
internal suppliers (cat. 401)	<b>103 654</b>	<b>869 721</b>	869 721	0	0
suppliers invoices to arrive (cat. 408)	<b>0</b>	<b>30 490</b>	30 490	0	0
due salaries (cat. 421)	<b>57 875</b>	<b>75 804</b>	75 804		
Staff-due matured aids (cat. 423)	<b>0</b>	<b>0</b>	0		
other debts regarding the staff (cat. 4281)	<b>54 036</b>	<b>62 340</b>	62 340	0	0
deductions from salaries (cat. 427,431,436,447)	<b>53 733</b>	<b>78 340</b>	78 340	0	0
tax on profit (cat. 441)	<b>87 144</b>	<b>42 844</b>	42 844	0	0
tax on salaries (cat. 444)	<b>18 188</b>	<b>14 292</b>	14 292	0	0
other taxes (cat. 446)	<b>0</b>	<b>0</b>	0	0	0
other debts to the state budget (cat. 4481)	<b>0</b>	<b>0</b>	0		
VAT to be paid (cat. 4423)	<b>0</b>	<b>103 514</b>	103 514	0	0
advances not used by mandate contract (cat. 419)	<b>0</b>	<b>0</b>	0		
Various creditors and dividends (cat. 462, 457)	<b>295 332</b>	<b>326 320</b>	326 320	0	0
Credits, leases (cat. 1621,167, 5191)	<b>9 303 699</b>	<b>25 047 372</b>	24 992 923	54 449	0

In 2018, the company involved a short-term loan revolving limit in the amount of 40,000,000 lei, and on 31.12.2018 the amount to be reimbursed from this limit was of 24,929,582 ron. The 2015 long-term investment loan of EUR 59,850, repayable in 7 instalments, was fully settled in 2018. A contract was signed in 2016 for a lease for the acquisition of analyzers on the quality of purchased agricultural goods worth 46,984 euro, reimbursable in 7 instalments, the balance on 31.12.2018 being of 22,329 euro.

## NOTE 8: Incomes in advance

The incomes in advance in the amount of 11,619 ron (31<sup>st</sup> December 2017: 13,349 ron), represents rent in advance for ongoing contracts.

The amount for investments of 291,667 RON (31<sup>st</sup> December 2017: 298,344 ron), to be resumed at incomes in a period of more than one year, represents the value of some fixed assets reinstated in operation upon the re-assessment made in 2011.

## NOTE 9: Provisions for risks and expenses

Name of the provision *)	Balance at the	Transfers **)		Balance at the end of the
		into the	from the	

**EXPLANATORY NOTES TO THE ANNUAL FINANCIAL STATEMENTS****for the financial year ended on 31<sup>st</sup> December 2018***(all amounts are expressed in "RON", unless otherwise specified)*

	beginning of the financial year	account	account	financial year
0	1	2	3	4 = 1+2+3
Provisions for employees' benefits	0	0	0	0
Provisions for taxes	0	0	0	0
Other provisions	27 846	35 025	27 846	35 025

"Other provisions" represent amounts to be distributed to the company's management according to Shareholders' Ordinary General Meeting Decision 1/23.01.2014 and the provision constituted for days of rest leave not performed on 31.12.2018 in the amount of 19,764 lei

**NOTE 10: Equities and reserves**

The equity capital of the company in value of 32,540,541 ron, registered a growth on 31<sup>st</sup> December 2018 compared to the end of the previous year, when the value was of 32,063,251 ron, an increase in the amount of 477,290 ron, as presented in the "Statement of equity changes on 31.12.2018", annex to the balance sheet.

Comcereal SA Tulcea operates as a joint-stock company, according to Law 31/1990.

The Company has not issued participation certificates, bonds or other securities other than its own common shares.

The subscribed and paid-up share capital amounts to 8,177,652.50 lei on 31.12.2018, the equivalent of 3,271,061 shares with a nominal value of 2.5 ron/share, values unchanged compared to the end of the previous year.

All shares are common, they were subscribed and are fully paid on 31<sup>st</sup> December 2018.

The shares give the same voting right and are traded on the securities market Bucharest Stock Exchange – AeRO.

The shareholding structure on 31<sup>st</sup> December 2017 and 2018 is as follows:

Shareholder	31.12.2017			31.12.2018		
	Number of shares	Value	%	Number of shares	Value	%
Argus SA Constanta	3 119 210	7 798 025.00	95.3577	3 119 210	7 798 025.00	95.3577
Other shareholders – natural and legal persons	151 851	379 627.50	4.6423	151 851	379 627.50	4.6423
<b>TOTAL</b>	<b>3 271 061</b>	<b>8 177 652.50</b>	<b>100</b>	<b>3 271 061</b>	<b>8 177 652.50</b>	<b>100</b>

**NOTE 11: Distribution of profit**

On 31<sup>st</sup> December 2018, the Company recorded a net profit of 1,491,319.30 ron.

**EXPLANATORY NOTES TO THE ANNUAL FINANCIAL STATEMENTS****for the financial year ended on 31<sup>st</sup> December 2018***(all amounts are expressed in "RON", unless otherwise specified)*

DESTINATION	AMOUNT ON 31.12.2017	AMOUNT ON 31.12.2018
NET PROFIT TO BE DISTRIBUTED :	1 104 830.61	1 491 319.30
legal reserve	60 123.00	7 414.50
covering of the accounting loss	0.00	0.00
dividends, etc.	0.00	0.00
NON-DISTRIBUTED PROFIT:	1 044 707.61	1 483 904.80

Comcereal SA TULCEA recorded a net accounting profit of 1,491,319.30 lei in 2018, out of which the amount of 7,414.50 lei allocated for the constitution of the legal reserves according to article 183(1) of Law 31/1990 regarding the companies and the amount of 1,483,904.80 lei will be distributed according to the Decision of the Shareholders' Ordinary General Meeting. The administrator of the company proposes that the amount of 1,308,424.40 lei be distributed for the distribution of dividends, namely 0.40 lei gross dividend/share and the difference in the amount of 175,480.40 lei to be distributed to the reserve fund at the disposal to the company.

**NOTE 12: Analysis of the result from exploitation**

The result from exploitation of the year is realized in the current year in operating profit in value of 2,353,270 ron.

No.	Indicator name	Financial year	
		2017	2018
0	1	2	3
1.	<b>Production of the year</b>	<b>69 945 316</b>	<b>116 391 797</b>
	1.1 Net turnover	65 791 467	114 041 060
	1.2 Variation of stocks	4 153 849	2 350 737
2.	<b>Cost of sold goods and rendered services</b>	<b>67 659 922</b>	<b>112 553 658</b>
	2.1 Expenses for the main activity	64 252 706	108 285 165
	2.2 Expenses for the auxiliary activities	2 490 060	3 762 931
	2.3 Indirect production expenses	917 156	505 562
3.	<b>Gross result afferent to the net turnover (1-2)</b>	<b>2 285 394</b>	<b>3 838 139</b>
4.	<b>Selling expenses</b>	<b>0</b>	<b>0</b>
5.	<b>General administration expenses</b>	<b>1 198 154</b>	<b>1 267 236</b>
6.	<b>Adjustments regarding the current assets and provisions</b>	<b>72 524</b>	<b>-189 961</b>
7.	<b>Other revenues from exploitation</b>	<b>507 038</b>	<b>279 648</b>
8.	<b>Other expenses from exploitations</b>	<b>485 695</b>	<b>307 320</b>
9.	<b>Result from exploitations (3 - 4 - 5 + 6+7-8)</b>	<b>1 181 107</b>	<b>2 353 270</b>

At the base of the results obtained in 2018, compared to the same period of 2017, there was the turnover of the commodity fund.

Increasing the volume of acquisitions/sales of agricultural products, the correlation and synchronization of the available financial resources with the budget volume of grain, the diversification of the range of products sold generated a revenue growth as well as operating expenses. The operating expenses are also influenced by both wage increases as well as increases in energy, fuel, all external services and local taxes and duties.

**NOTE 13: Expenses and information with staff, administrators and executive management**

**EXPLANATORY NOTES TO THE ANNUAL FINANCIAL STATEMENTS****for the financial year ended on 31<sup>st</sup> December 2018***(all amounts are expressed in "RON", unless otherwise specified)*

In 2018, Comcereal SA Tulcea paid the following net indemnities to the members of the administrative bodies and the executive management:

	<b>2017</b>	<b>2018</b>
Administrative and executive management indemnities	219.891	258 386

No advances or credits were granted to the administrators of the company or to the directors of the company.

At the end of the financial year there are no future guarantees or obligations assumed by the Company on behalf of the directors or directors.

**Number of employees**

The average number and the actual number of employees in the year 2018 and 2017 is the following:

	<b>Previous</b>	<b>Current</b>
Workers	37	36
Technical, economic and administrative staff	22	21
<b>Total</b>	<b>59</b>	<b>57</b>
<b>Actual number of employees at the end of the financial year</b>	<b>60</b>	<b>56</b>
<b>Men</b>	<b>44</b>	<b>41</b>
<b>Women</b>	<b>16</b>	<b>15</b>

**Information on staff expenses**

The expenses on salaries and related taxes recorded in the year 2017 as well as in 2018 are as follows.

<b>Expenses on salaries</b>	<b>Previous</b>	<b>Current</b>
Salaries and gross indemnities related to the exercise	1 718 316	2 234 423
Expenses on insurances and social protection	362 334	98 462
<b>TOTAL</b>	<b>2 080 650</b>	<b>2 332 885</b>

**Administrators and executive management**

Comcereal SA has a unitary management system, the statutory management bodies being:

- General Meeting of Shareholders;
- Sole Administrator;
- General Manager.

The General Meeting of Shareholders represents the entire shareholders of the company, its competencies being those provided by the law and by the constitutive act.

According to the Constitutive Act, the company is managed by the Sole Administrator in the person of Mr. Ioan Pauna, for a four-year mandate, being re-electable. In this sense, a mandate contract was concluded with him.

The executive management is provided by a general manager in the person of Mr. Niculescu Emilian Mihai, the relations being based on a mandate contract, seconded by an economic director in the person of Mrs. Monea Aurora and a technical manager in the person of Mr. Cernat Corneliu, with whom the company has labour relations based on individual labour contracts.

**NOTE 14: Information on the transactions with affiliated parties**



## EXPLANATORY NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the financial year ended on 31<sup>st</sup> December 2018*(all amounts are expressed in "RON", unless otherwise specified)*

At 31.12.2018, the majority shareholding of Comcereal SA Tulcea, respectively 95.3577%, is held by the company Argus SA Constanta.

Comcereal SA Tulcea holds as of 31.12.2018 shares of 100% of the share capital of the Company Cereal Prest SRL, worth 1,033,600 ron, for which no value adjustments have been registered.

In 2018, compared to year 2017, Comcereal SA carried out the following transactions with affiliated parties including VAT:

Type of transaction with affiliated parties	Argus SA		Cereal Prest SRL	
	2017	2018	2017	2018
Sale of goods	22 399 905	56 356 919	107 364	195 335
Sale of services	1 633 110	1 108 791	1 428	1 428
Purchases of goods	3 216 344	1 149 887	842 544	1 057 808
Purchases of services	0	0	0	0
Assignment of assigned receivables	0	0	244 500	0
Assignment of taken-over receivables	0	0	0	0
Paid dividends	0	966 955	0	0
Dividends to cash in	0	0	337 060	334 769
Type of balance	Balances		Balances	
	2017	2018	2017	2018
Commercial receivables	212 222	4 894 019	106 779	60 187
Other receivables	0	0	244 500	382 215
Commercial debts	73 436	0	4 860	0
Other debts	0	0	0	0

## NOTE 15: Analysis of the main economical-financial indicators

Economical – financial indicators		2017	2018
I. Liquidity indicators	Current liquidity indicator		
	Current assets (A)	23 114 201	40 816 587
	Current debts (B)	9 869 616	26 596 588
	A/B- in number of times	2.34	1.53
	Immediate liquidity indicator		
	Current assets (A)	23 114 201	40 816 587
	Stocks (B)	11 874 814	22 525 269
	Current debts (C)	9 869 616	26 596 588
	(A-B)/C - in number of times	1.14	0.69
II. Risk indicators	Indicator of indebtedness degree		
	Borrowed capital (A)	104 045	54 449
	Committed capital (B)	32 493 486	32 921 682
	A/B (if negative, it is not calculated)	0.0032	0.0017
	Indicator regarding the interests coverage		
	Profit before payment of the interest and the profit tax (A)	1 518 881	2 707 806
	Interest expenses (B)	326 906	850 296
	A/B – in number of times, if negative, it is not calculated)	4.65	3.18
III. Activity indicators	Number of storage days		
	Average stock (A)	9 382 329	17 200 042
	Cost of sales (B)	62 778 015	104 891 079
	(A/B)*365 – in number of days	54.55	59.85
	Speed of stocks rotations		
	Cost of sales (A)	62 778 015	104 891 079
	Average stock (B)	9 382 329	17 200 042



## EXPLANATORY NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the financial year ended on 31<sup>st</sup> December 2018

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

	(A/B) – in number of times	6.69	6.10
	<b>Speed of debts rotation - clients</b>		
	Clients' average balance (A)	1 648 799	1 641 187
	Net turnover (B)	65 791 467	114 041 060
	(A/B)*365 – in number of days	9.15	5.25
	<b>Speed of credits rotation – suppliers</b>		
	Suppliers' average balance (A)	175 362	501 933
	Cost of sales (B)	62 778 015	104 891 079
	(A/B)*365 – in number of days	1.02	1.75
	<b>Speed of fixed assets rotation</b>		
	Net turnover (A)	65 791 467	114 041 060
	Fixed assets (B)	19 262 250	18 713 302
	(A/B) – in number of times	3.42	6.09
	<b>Speed of rotation of total assets</b>		
	Net turnover (A)	65 791 467	114 041 060
	Total assets (B)	42 376 451	59 529 889
	(A/B) - in number of times	1.55	1.92
IV. Profitability indicators	<b>Profitability of involved capital</b>		
	Profit before the payment of the interest and of the profit tax (A)	1 518 881	2 707 806
	Total assets minus current debts (B)	32 493 486	32 921 682
	A/B (if negative, it is not calculated)	0.05	0.08
	<b>Gross margin on sales</b>		
	Gross profit from exploitation (A)	1 181 107	2 353 270
	Net turnover(B)	65 791 467	114 041 060
	(A/B) - in percentages	1.80%	2.06%

## NOTE 15: Other information

## 1. Method for converting the assets, liabilities, incomes and expenses from currencies into local currency

Description in Note 2, point B, "Conversion of transactions in foreign currency".

## 2. Information related to the tax on profit

The reconciliation between the result of the year and the fiscal result as presented in the tax return:

Indicator	2017	2018
Gross result	1 104 831	1 491 319
Total elements similar to the incomes	440 768	535 660
Total elements similar to the expenses	645 352	0
Total deductions	749 651	837 651
Total of non-taxable incomes	581 354	370 544
Total of non-deductible expenses	975 408	1 469 906
Total of taxable income	544 650	2 288 690
Taxable profit	544 650	2 288 690
Total taxable profit	87 144	366 191
Tax on the profit finally due	87 144	87 144
Tax on profit reported by the form 100	0	323 347
Difference of tax on profit	87 144	42 844

The tax on profit declared by the company for the reported year is of 366,191 lei, the amount of 323,347 lei was paid. Compared to the tax due, the company has to pay as of 31.12.2018 the amount of 42,844 lei profit tax according to the annual statement 101.

**EXPLANATORY NOTES TO THE ANNUAL FINANCIAL STATEMENTS****for the financial year ended on 31<sup>st</sup> December 2018***(all amounts are expressed in "RON", unless otherwise specified)***3. Turnover**

<b>* on segments of activities</b>	<b>2017</b>	<b>2018</b>
* Sold production	832 609	15 470 631
* Provision of services	2 362 422	2 073 890
* Revenues from the commodities sale	62 596 436	96 496 539
<b>* on geographical markets.</b>	<b>2017</b>	<b>2018</b>
* Romania	64 428 879	112 052 673
* Internationally	1 362 588	1 988 387

**4. Subsequent events**

No events occurred after the balance sheet date that may influence the ability of users of the financial statements to make evaluations and make correct decisions or adjust the figures presented for the year 2018.

**5. Audit costs**

The Company has concluded contracts for the statutory audit in 2018 with the Company JPA Audit & Consultanta SRL and for internal audit with the company CIPL Expert Audit SRL. The fees are set based on the contracts concluded and are presented as follows (the amounts include VAT):

	<b>2017</b>	<b>2018</b>
fees paid to auditors	36 418	28 277

**6. Expenses on rents and leasing**

On 20.05.2016 there was concluded a financial leasing contract no. 3010244/20.05.2016 for the financing of the acquisition of 5 (five) portable analyzers totalling 41,950 euro, of which an advance of 8390 euro was paid, the financing value was of 33,560 euro. Subsequently, the number of portable analyzers was increased with 2 (two) more pieces for the financing of which the financial leasing contract no. 30106876/06.07.2016 was concluded, having a total value of 16,780 euro, of which an advance of 3,356 euro was paid, the value being of 13,424 euro. Both contracts have the same reimbursement terms in 8 instalments, payable twice a year in September and December, the balance at 31.12.2018 being 15,978.90 euro and 6,349.88 euro, respectively. The interest payable for future periods - 1,267 euro.

The expenses with the registered rents are amounts related to the land lease agreements from local authorities on which the Reception Base of Peceneaga and the Reception Base of Macin operate, the values in 2018 compared to 2017 are:

<b>Rent of leased land</b>	<b>2017</b>	<b>2018</b>
Local Council of Macin	77 661	78 066
Local Council of Peceneaga	1643	1643

**7. Commitments**

There are no commitments in the relationship with affiliated parties.

On 31<sup>st</sup> December 2018, Comcereal SA has the following commitments:

- guarantees of BO type advanced by Comcereal SA Tulcea in order to execute and fees for the payment obligations resulting from the concluded Leasing Contracts.

<b>No.</b>	<b>Series and number</b>	<b>Beneficiary</b>	<b>CONTRACT</b>	<b>instalment value (credit+ interest) in euro</b>	<b>instalment value in lei</b>
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## EXPLANATORY NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the financial year ended on 31<sup>st</sup> December 2018

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

1	BTRL3BS 2246064	Unicredit Leasing IFN	30087987/14.10.2015	692.51	3 229.80
2	BTRL3BS 2246065	Unicredit Leasing IFN	30087987/14.10.2015	8 708.15	40 613.94
3	BTRL3BS 2246066	Unicredit Leasing IFN	30087987/14.10.2015	8 708.15	40 613.94
4	BTRL3BS 2246067	Unicredit Leasing IFN	30087987/14.10.2015	8 708.15	40 613.94
5	BTRL3BS 2246068	Unicredit Leasing IFN	30087987/14.10.2015	8 708.15	40 613.94
6	BTRL3BS 2246069	Unicredit Leasing IFN	30087987/14.10.2015	8 708.15	40 613.94
7	BTRL3BS 2246070	Unicredit Leasing IFN	30087987/14.10.2015	8 708.15	40 613.94
8	BTRL3BS 2246071	Unicredit Leasing IFN	30087987/14.10.2015	8 708.15	40 613.94
9	BTRL3BS 2246073	Unicredit Leasing IFN	30102444/20.05.2016	4 939.74	23 038.45
10	BTRL3BS 2246074	Unicredit Leasing IFN	30102444/20.05.2016	4 939.74	23 038.45
11	BTRL3BS 2246075	Unicredit Leasing IFN	30102444/20.05.2016	4 939.74	23 038.45
12	BTRL3BS 2246076	Unicredit Leasing IFN	30102444/20.05.2016	4 939.74	23 038.45
13	BTRL3BS 2246077	Unicredit Leasing IFN	30102444/20.05.2016	4 939.74	23 038.45
14	BTRL3BS 2246078	Unicredit Leasing IFN	30102444/20.05.2016	4 939.74	23 038.45
15	BTRL3BS 2246079	Unicredit Leasing IFN	30102444/20.05.2016	4 939.74	23 038.45
16	BTRL3BS 2246080	Unicredit Leasing IFN	30102444/20.05.2016	4 939.74	23 038.45
17	BTRL3BS 2246081	Unicredit Leasing IFN	30106876/13.07.2016	1 962.68	9 153.74
18	BTRL3BS 2246082	Unicredit Leasing IFN	30106876/13.07.2016	1 962.68	9 153.74
19	BTRL3BS 2246083	Unicredit Leasing IFN	30106876/13.07.2016	1 962.68	9 153.74
20	BTRL3BS 2246084	Unicredit Leasing IFN	30106876/13.07.2016	1 962.68	9 153.74
21	BTRL3BS 2246085	Unicredit Leasing IFN	30106876/13.07.2016	1 962.68	9 153.74
22	BTRL3BS 2246086	Unicredit Leasing IFN	30106876/13.07.2016	1 962.68	9 153.74
23	BTRL3BS 4279977	Unicredit Leasing IFN	30106876/13.07.2016	1 962.68	9 153.74
24	BTRL3BS 4279978	Unicredit Leasing IFN	30106876/13.07.2016	1 962.68	9 153.74
<b>Total</b>				<b>116 868.92</b>	<b>545 064.96</b>

- real estate mortgage type guarantees committed under the short-term credit contract of 30,000,000 lei concluded with Transilvania Bank:

<b>Imobil</b>	<b>Valoare</b>
land and constructions at Baia Silo	6 405 410 RON
land and constructions at Reception Base of Mihail Kogalniceanu	2 337 562 RON
land and constructions at Reception Base of Mahmudia	2 120 989 RON
land and constructions Comcereal headquarters on Isacsei street, no. 73	953 520 RON
<b>Total</b>	<b>11 17 481 RON</b>

**8. Contingencies**

The Company has not recorded any contingent assets or contingent liabilities.

**9. The environment**

As a result of the technological conditioning process (removal of foreign bodies, vegetable and mineral powders by suction from the product mass) it results:

- non-valuable technological wastes, which are transported with their own means to the waste dumps in the localities where the reception bases operate
- valuable technological waste that is redeemed by resale or restitution to agricultural producers.

**EXPLANATORY NOTES TO THE ANNUAL FINANCIAL STATEMENTS**

**for the financial year ended on 31<sup>st</sup> December 2018**

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

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At the reception bases belonging to our company, no sources of soil and subsoil pollution have been identified, there are no sources of radiation, the noise and vibration levels are within the permissible limits.

There are contracts with sanitation companies at each reception base: Edilitar Salub Term-Reception Base of Macin, JT Grup - Reception Base of Mahmudia, Tulcea Public Services - Tulcea, Star Eco Salubris SRL – Baia Silo.

The company has no litigation about breaches of environmental legislation.

In the course of the storage and preservation of the agricultural products there have been no events that have any impact on the environment.

**10. Risk management**

By the nature of its activity, the company is primarily exposed to the risk of natural phenomena manifestations. Other risks specific to the company's activity are the ones regarding the prices or the liquidity.

Taking into account the financial results of the company registered in the year 2018, as well as the company's perspective, there are created the premises of attracting liquidities from the crediting institutions, which would reduce the liquidity risk, would increase the company's turnover and company's performance.

From a fiscal point of view, Romanian legislation has undergone continuous changes in recent years. Interpreting the text of the law and the practical implementation of fiscal procedures may vary and there is a risk that in some transactions the interpretation of fiscal authorities will be different from that of the company. Following the transactions with the affiliated parties, the company has drafted the transfer pricing file but the fiscal authorities may have different interpretations on the transactions and may impose additional tax obligations as a result of the transfer pricing adjustment materialized in the increase of the incomes, the reduction of the deductible expenses, which can generate an increase in the taxable calculation base from the point of view of tax on profit and of the VAT.

**Administrator**

**IOAN PAUNA**

**Signature**

**Economic Manager**

**MONEA AURORA**

**Signature**