ANNUAL REPORT
FOR THE FINANCIAL YEAR 2017

According to Regulation 1/2006 issued by the Romanian National Securities Commission

Name of the trading company: **SC TRANSILVANIA CONSTRUCTII SA**
Registered office: Cluj Napoca, str Taietura Turcului, nr 47, Cluj county;
Telephone/fax number: 0264-416597 / 0264-592229;
Tax code: RO 199044;
Registration number with the Trade Registry: J12-8-1991;
Subscribed and paid up capital: RON 26,391,783:
Regulated market where the issued securities are admitted to trading: Bucharest Stock Exchange, standard category;

Main characteristics of the securities issued by the company:

SC Transilvania Constructii SA is a listed company and its shares are admitted to trading on Bucharest Stock Exchange, standard category, with the trading symbol COTR. The Register of Shareholders is kept by Depozitarul Central SA Bucharest.

The company's share capital is of RON 26,391,783.

The capital is divided into 799,751 ordinary shares, with a nominal value of RON 33/share;

During the financial year 2017, the company's share capital did not incur any change in value:

1. Analysis of the trading company's activity:

1.1.a) Description of the company's basic activity:

The company's main object of activity, registered with Cluj Trade Registry Office is 'Construction of residential and non-residential buildings' -NACE code 4120.
In 2017, the company has made income from the lease of logistic premises consisting of Parcul Logistic Transilvania, as well as of the logistic premises comprising TRC Park Cluj.
Thus, the main activity actually carried out by the company is the 'Renting and sub-renting of own or leased real estate', NACE code 6820.

The company's Construction & Assembly Department ensured in 2017 the activity of General Entrepreneurship for the investment programme carried out by the company as well as the activity of maintenance at Transilvania Logistic Park and TRC Park Cluj.

The company intends–as a development strategy– to extend the Logistic Park by developing new leasable areas. The Company's development strategy as well as the projects that are going to be implemented during 2018 are presented in the report in point 1.9.

b) Date of incorporation: November 30th, 1990, based on Decision no. 54 of Cluj County Prefect's Office,
by the reorganisation of TRCL Cluj.

Duration: indefinite.

c) During the financial year 2017, there has been no reorganization within the company
d) Assets purchased and alienated:

As in the previous years, during 2017, the company ran an important investment program consisting both of acquisition and construction of new fixed assets, as well as the refurbishment of the existing ones, materialized mainly in the following categories of fixed assets:

Asset type	Asset name	Value-RON	Operation
Real estate asset	Warehouse - Wing C1 - Jucu	8,340,685	increase in value
Real estate asset	Concrete platform - Jucu	1,211,976	increase in value
Real estate asset	Warehouse - Building C2 - Jucu	4,766,339	new investment
Real estate asset	Land - 13,120 sqm. - 10 Orastiei Street	4,977,400	new investment
Real estate asset	Land - 607.53 sqm. - 10 Orastiei Street	230,190	new investment
Real estate asset	Land - 918.98 sqm. - 10 Orastiei Street	112,266	new investment
Real estate asset	Warehouse improvement works in PLT	3,932,622	increase in value
Real estate asset	Rehabilitation of the PLT infrastructure	6,304,391	increase in value
Constructions	Repair of the multi purpose gym	56,539	increase in value
Real estate asset	Ramp warehouse 607.54 sqm.	535,510	new investment
Real estate asset	Football field - Transilvania Sports Club -3	170,760	new investment
Real estate asset	Football field - Transilvania Sports Club -4	170,760	new investment
Real estate asset	Football field - Transilvania Sports Club -5	170,760	new investment
Real estate asset	C1 warehouse - 1,709.9 sqm, 10 Orastiei Street.	412,118	new investment
Real estate asset	C2 warehouse - 2,571.52 sqm, 10 Orastiei Street.	1,239,434	new investment
Real estate asset	C5 shed - 64 sqm., 10 Orastiei Street.	10,806	new investment
Real estate asset	Railway - 849.13 - 10 Orastiei Street.	10,531	new investment
Equipment and machinery	IT equipment	18,740	new investment
Equipment and machinery	Vehicle	804,878	new investment
Equipment and machinery	Vehicle	171,644	finance lease
Equipment and machinery	Equipment for Jucu warehouse	1,409,745	new investment
Equipment and machinery	Registered office improvement	148,667	new investment
Computer programs	Charisma ERP license	78,423	new investment
Total General active procurement		**35,285,184**	

On December 31^{st}, 2017, the structure of the investments to be performed was the following:

Investment type in progress	Name	Value-RON
Real estate asset	Calan Industrial Park Works	36,969
Real estate asset	PLT warehouse improvement	625,254
Total General On-going Investments		**662,223**

The most important investments were the real estate investment properties consisting of:

- completion of Stage 1 development for TRC PARK Logistic Park in Cluj, located in TETAROM 1 Jucu Industrial Park. This investment has been completed by long-term investment bank loan, as well as from the company's own sources.

- continuing the sewage networks restoration and road repair program in Transilvania Logistic Park, investment fully financed by bank loan.
The total value of this programme is EUR 1,078,129. In 2017, the company has carried out sewerage network repair works, as well as road repair works in the logistic park.
- purchase of a land and of several real estate properties, amounting a total surface of approx. 13,120 sqm., located in Cluj Napoca Municipality, 10, Orastiei, street. The land was purchased for purposes of expanding Transilvania Logistic Park.
- purchase of a land and of several real estate properties, amounting a total surface of approx. 607 sqm., located in Cluj Napoca Municipality, 10, Orastiei, street. The land was purchased for purposes of expanding Transilvania Logistic Park.

- Moreover, investments were made in the development of logistic premises, according to the tenants' specifications.

The company discarded a series of assets which were deemed physically and morally worn out and which ceased to generate economic benefits for the company. The inventory value of such assets was RON 42,481, and were fully depreciated at the time of discarding.

e) Main results of the assessment of the company's activity
1.1.1 General assessment items:
a) Income:
In 2017, the net profit of the company was of RON 277,376.

Structure of net profit:

Gross profit of operating activities:	RON	5,619,352;
Financial profit/loss:	RON	-5,210,469;
Gross profit/loss:	RON	408,883:
Income tax	RON	131,507;
Net income	RON	277,376.

b) Turnover: RON 25,134,277, increasing compared to 2016, when it amounted to RON 20,791,837
c) Export: The company did not conduct export activities in 2017;

d) Costs:
The analysis of the operating profit/loss is presented in the table below:

Item	2017	2016
Income from turnover	25,134,277	20,791,837
Other operating income	613,501	1,886,087
Changes in inventories of finished goods and work in	-96,556	-144,641

progress		
Total operating income	**25,651,222**	**22,533,283**
Operating expenses		
Expenses with raw materials and consumables	3,210,800	2,836,283
Expenses related to services provided by third parties	4,348,617	3,491,321
Personnel related expenses	1,894,462	1,548,049
Amortization and depreciation expenses	9,719,886	8,772,649
Provision expenses		-43,705
Goods-related expenses	128,880	110,602
Other operating expenses	729,225	-162,071
Total operating expenses	**20,031,870**	**16,553,128**
Operating income	**5,619,352**	**5,980,155**

e) **Market share:**

The company owns the largest private logistic park in the city, Transilvania Logistic Park, where multinational companies carry out their activity with national level representation.

As of 2016, the company commenced the development strategy of this activity. In 2017, the first stage of the TRC Park Cluj Logistic Park, located in TETAROM III Jucu, has been completed, and the 2nd stage shall commence in 2018.

With a total surface of approximately 119,500 sqm. of warehouses, the company is the leading player on the industrial premises market in Cluj-Napoca and the surrounding area.

As far as the lease of premises is concerned, at the moment, the company has a sound position in the market as it was the first company which offered a proper logistic park to the local business market.

The company is constantly concerned to strengthen its position on the local logistic market. For this purpose, the logistic park is permanently refurbished and extended and the company's strategy is to strengthen the relations with traditional customers, multinational companies with which it has long-term business relations. Over time, the quality of services provided to customers has steadily increased, with a positive impact in terms of client portfolio consisting of partners with solid financial position and good reputation.

The company's long-term strategy is to extend to national level through the development of logistic parks in other localities. Furthermore, through the controlled SPVs (virtual private spaces), the company entered the office space market, as well.

Liquidity: At the end of 2017, the funds available in the company's accounts were of RON 4,980,516. This amount covered the company's all company's liabilities falling due.

1.1.2 Assessment of the trading company's technical level

Our company is active on the local market in Cluj-Napoca,
The company's income is generated prevailingly by the lease of industrial premises. The company's Construction and Assembly Department was in charge of the general entrepreneurship for the investments carried out by the company, as well as the maintenance of Transilvania Logistic Park.

The locations of the industrial premises operated by the company are the following:
- Transilvania Logistic Park is located in Cluj Napoca, 10, Orastiei street. The park comprises 38 warehouses, 1 shed, 2 administrative buildings, 2 halls.

The land on which the logistic park lies is owned by the company, and has a surface area of 185,707 sqm, of which the company owns 177,228.91 sqm and 8,478.09 sqm in undivided share.

The surface area of the properties which comprise the Transilvania Logistic Park are presented below:

Category of real estate asset	**Total surface - sqm**
Warehouses - 38 units	81,368.81
administrative buildings - 2 units	608.82
Halls- 2 units	3,480.37
Shed - 1 unit	1,948.23
Total area of real estate assets	**87,406.23**

- TRC PARK Cluj Logistic Park is located in Jucu Commune, Cluj County, in the TETAROM III industrial park. The park comprises a 2 warehouses (10 modules), with a total surface of 32,078 sqm.

The land on which the logistic park lies is owned by TETAROM SA, and our company has a superficies right over it for 99 years. The land has a surface area of 107,353 sqm.

In addition to the 107,353 sqm., on December 31st, 2017 the company held a superficies right over 251,701 sqm. of land, located in the same place and under the same conditions.

At the end of the financial year 2017, the company assessed the market value of the assets which compose Transilvania Logistic Park, and those of TRC Park Cluj Logistic Park. The valuation was conducted in-house and not by an independent appraiser, member of ANEVAR. The internal appraisal process employed valuation standards published by ANEVAR, other specialized publications, and internal statistical date, using the income capitalization method.

The results of the company's business segments are presented below:

No.	**Logistic park**	**Fair value - EUR**
1	Transilvania Logistic Park	40,300,000
2	TRC PARK Cluj	14,500,000
	Total	**54,800,000**

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The company did not report the results of such appraisal in its accounting records.

An analysis of the turnover by activities is presented in the table below:

Activity	2015		2016		2017	
	Amount	%	Amount	%	Amount	%
Transilvania Logistic Park	17,422,810	81.5%	19,220,885	92.4%	20,091,346	79.94
TRC Park Cluj	0	0.0%	90,681	0.4%	3,888,624	15.47
Sport centre	844,193	4.0%	977,891	4.7%	997,819	3.97
Other activities	3,102,304	14.5%	502,380	2.4%	156,488	0.62
TOTAL	**21,369,307**	**100.0%**	**20,791,837**	**100.0%**	**25,134,277**	**100.00**

In 2017, the lease of industrial premises accounted for approximately 95% of the company's turnover
In the future, the company will focus on the lease of logistic premises, by construction of new logistic parks both in Cluj-Napoca and elsewhere.

1.1.3 The company's procurement activities:

The company has a separate procurement department.

The company implemented clear procurement procedures both in terms of materials and services. The procurements are provided only by approved suppliers, through selection of offers, falling under the approved budgets. Periodically, the internal control checks the observance of procurement procedures.

1.1.4. Assessment of sale activity

a) As mentioned in the previous points, the company operates only locally. The evolution of sales by business segment is presented in the table above.

In 2017, as in the previous year, the turnover resulted from the lease of premises.
The main real estate assets managed by the company are listed at point 1.1.2.

As regards the lease of premises in Transilvania Logistic Park, in 2017 the company carried out a series of investments meant to increase the portfolio of contracts, and the tenants' level of comfort. The most important investments made were the following:

- continuing the sewage networks restoration and road repair program in Transilvania Logistic Park, investment fully financed by bank loan.

The total value of this programme is EUR 1,078,129. In 2017, the company has carried out sewerage network repair works, as well as road repair works in the logistic park.

- purchase of a land and of several real estate properties, amounting a total surface of approx. 13,120 sqm., located in Cluj Napoca Municipality, 10, Orastiei, street. The land was purchased for purposes of expanding Transilvania Logistic Park.
- purchase of a land and of several real estate properties, amounting a total surface of approx.

607 sqm., located in Cluj Napoca Municipality, 10, Orastiei, street. The land was purchased for purposes of expanding Transilvania Logistic Park.

- Moreover, investments were made in the development of logistic premises, according to the tenants' specifications.

As regards the Logistic park TRC Park Cluj, in 2017, the company built approximately 14,000 sqm., thus reaching 32,000 sqm. of warehouses. During the following interval, the company shall commence the 2nd stage of development for this logistic park.

The company earns income also from the management of Transilvania Sports Centre.
This sports centre has 9 tennis fields, 5 synthetic football fields, one football field with natural grass, one multi purpose sports hall and a restaurant.
In 2017, the turnover earned from this activity was of RON 997,819.
The activity in this segment is constantly developing as it results from the evolution of income generated by the sports center, which in the last 3 years had an ascending trend.
In 2017, the company built 3 football fields with synthetic grass, fitted with night lights.
The Company permanently developed and varied the activity in this location by holding sport tournaments and corporate events.

b) The company's main competitors on the local market:

- concerning the activity of lease of business premises and offices:

Tetarom Logistic Parks, as well as the individual warehouses which operate in Floresti, Gilau, and on the former industrial sites of the city (especially those located in Bulevardul Muncii).
Moreover, as of 2016, the market was penetrated by developers with international representation.

c) The company's income does not depend on a single client; the company has a diversified client portfolio in terms of activity related to the lease of warehouses.

The largest customer of Parcul Logistic represents approximately 8% of the total portfolio. Thus, the company is not vulnerable from this point of view, and does not depend on a single client.

1.1.5 Issues related to the company's personnel

The employment relationship within the company was based on the Collective Bargaining Agreement registered with Cluj County General Directorate for Labour and Social Protection, as well as on the Internal Regulations, enclosed to the Collective Bargaining Agreement.
Most of the company's employees are organised in a trade union.
In 2017, no labour disputes were registered.
The pay system applied during the year was based on the provisions of the collective bargaining agreement, thus, the personnel directly or indirectly productive was paid accordingly, while the administrative staff according to time-based pay system.
On December 31st, 2017, the company's executive management included:

Timofte Andrei Iancu – general manager
Barz Lucian - chief financial manager;

On December 31st, 2017, the structure of the personnel was the following:

- Executive management 2
- TESA personnel 19
- Other categories 13

The evolution of the total wage bill and of the average wage earned in 2017 compared to 2016 is the following:

Explanation	MU	2017	2016
Wage bill	RON	1,894,462	1,548,049
Average number of employees	RON	34	31
Monthly average cost/employee	RON	4,643	4,161

In 2017 the number of employees did not suffer significant changes compared to the previous year.

1.1.6 The impact of activity on the environment:

The use of the company's assets does not have a significant impact on the environment.
The company does not carry out polluting activity.

1.1.7 Assessment of research and development activity

The unit does not carry out research and development activities, neither with own resources, nor through third parties.

1.1.8 Risk management

Overview

The Company is exposed to the following risks arising from the use of financial instruments:

- credit risk;
- liquidity risk;
- market risk.

These notes present information concerning the exposure of the Company to each of the risks mentioned above, objectives, policies and processes of the Company for the measurement and management of risk and procedures used for capital management. Furthermore, other quantitative information is also included in these financial statements.

The Company's risk management policies are defined so as to ensure the identification and analysis of risks faced by the Company, establishment of adequate limits and controls as well as monitoring of risks and compliance with the established limits. Risk management policies and systems are revised periodically to reflect the changes incurred in market conditions and in the Company's activities.

a) Credit risk

Credit risk is the risk that the Company will incur a financial loss as a result of default of contractual obligations by a client or counterpart to a financial instrument and this risk mainly results from the Company's trade receivables.

The Company's exposure to credit risk is mainly influenced by the individual characteristics of each

client.
The management established a credit policy under which each new client is separately analysed in terms of creditworthiness before the Company's standard payment and delivery conditions are offered. For each client in part there are established purchase limits. Clients that do not meet the conditions established by the Company can make transactions only with advance payment.
Goods are sold with retention of title clause, so that in case of non-payment the Company benefits from a guarantee for the amounts claimed. The Company does not require collateral securities for trade and other receivables. In some case the Company requires cheque notes, payment orders or letters of bank guarantee. In case of leases for premises the rent is charged in advance.
The Company establishes an adjustment for depreciation presenting its estimations concerning losses from trade receivables, other receivables and investments. This consists of specific losses related to significant individual exposures.
The criteria used by the company to determine the existence of proofs attesting depreciation are the following:

- Long period of time elapsed between the maturity date and the reporting date-if maturity was exceeded by more than 120 days it can be considered as a contested receivable (except for sales with payment in installments, receivables against state institutions and secured receivables);
- If the debtor challenges the receivable;
- If the debtor does not make the payment for any reason and the company addresses to the court to recover the receivable;
- If the debtor incurs major financial difficulties (insolvency, bankruptcy).

b) Liquidity risk
Liquidity risk is the risk that the Company would face difficulties in fulfilling obligations related to financial liabilities that are settled in cash or by the transfer of another financial asset. The Company's approach to liquidity risk is to ensure, as far as possible, that it holds sufficient liquidities at any time to settle debts when these come to maturity, both under normal conditions and under stress, without incurring inacceptable loss or endanger the Company's reputation.
The Company checks the clients' financial situation both at the conclusion of contracts and during the performance of contracts to protect itself in case the clients' financial situation deteriorates and the non-payment risk occurs. Moreover, clients leasing premises in Transilvania Logistic Park are required both to pay guarantees and to pay the rent in advance according to the trade customs practice of the lease market.

c) Market risk
Market risk is the risk that market price variations such as exchange rate, interest rate and price of equity instruments would affect the Company's income or the value of the financial instruments held. The objective of market risk management is to manage and control the exposures to market risk within acceptable parameters and at the same time to optimise the cost-effectiveness of the investment.
Interest rate risk
The Company is concerned to monitor at all times the interest variations on international markets (especially EURIBOR) in order to be able to react promptly in case the unsatisfactory development of indicators in terms of which the interests paid by the Company are calculated would have unsatisfactory effects on the Company.

The Company is permanently concerned with optimising the debt service, permanently negotiating with banks to decrease interest and to correlate bank rates to the income level.

Currency risk

The Company is exposed to currency risk due to sales, purchases and other loans which are expressed in a currency other than the functional currency, primarily Euro.

The Company has received loans and other financing in Euro.

In order to protect against the increase of exchange rate, the leases for premises are concluded in Euro, with settling at the sell exchange rates communicated by CEC Bank SA. In this way, the Company has got ensured the income in the currency in which it repays credits.

Tax risk

Starting from January 1st, 2007, as a result of Romania's accession to the European Union, the Company had to be subjected to the tax regulations of the European Union and to implement the changes in the European legislation. The manner in which the Company implemented these changes remains open to tax audit for five years.

The interpretation of text and practical implementation of procedures of new EU tax regulations entered into force may vary and there is a risk that certain transactions, for instance, will be perceived differently by the tax authorities compared to the Company's approach.

Moreover, the Government of Romania has a great number of authorised agencies to carry out the audit of companies operating in Romania. These audits are similar to tax audits from other countries and can cover not only tax issues but also other legal and regulation issues that are of interest for these agencies. It is likely that the Company may be subject to tax audits as new tax regulations are issued.

Business environment

The process of risk revaluation conducted in the period 2007-2010 on the international financial markets significantly affected the performance of these markets including the financial market in Romania and led to the emergence of an increasing uncertainty concerning the future economic development. These uncertainties have disappeared, for the moment, although, the performance of financial markets, as well as of national economies, has significantly improved in the last years.

The global credit and liquidity crisis which started in mid 2007 determined, among others, a low level and difficult access to capital market funds, a low level of liquidity of the entire bank sector in Romania and increased levels of rates to interbank loans. Significant losses incurred in the international financial market could affect the Company's ability to obtain new loans and to refinance loans which it already has under terms and conditions related to the previous transactions.

The establishment of conformity to loan contracts and other contract obligations, as well as the assessment of significant uncertainties, constitute new challenges for the Company.

The Company's debtors can be as well affected by low liquidity, which could affect their ability to reimburse the outstanding debts. The deterioration of financial conditions under which the debtors carry out their activity could as well have an impact on the management of cash flow forecasts and on the assessment of financial and non-financial asset impairment. To the extent of available information, the management included in its impairment policy revised estimations of future cash flows.

Fears that the deterioration of financial conditions could contribute in future to the deterioration of trust determined certain joint efforts from governments and central banks to adopt certain measures which would counteract the vicious circle of increase in risk aversion and to help minimise the effects of the financial crisis and, ultimately, to reinstore the functioning of market under normal conditions. The management cannot foresee all events which would have an impact on the financial sector in Romania and, therefore, what effects they would have on these financial statements, if case may be.

The management cannot reliably estimate the effects on the Company's financial statements of any future decrease in liquidities of the financial markets, impairment of financial assets influenced by weak liquidity of credit market and increase of currency volatility and stock markets. The management considers that it takes all necessary measures to support the sustainability and growth of the Company's business under the current conditions through:

- constant monitoring of liquidity;
- carrying out short-term forecasts on net liquidity;
- monitoring inflow and outflow of cash flow (daily), assessment of effects on debtors of the limited access to financing and growth of businesses in Romania.

Risk factors specific to lease of premises and specific to property development activities and that the Company could face would be the following:

Competition.

In the last years the company has targeted the development of new activities to have more income sources and to protect itself against the market risk. Thus, the company developed a real estate project and developed the activity in Transilvania Logistic Park.

The Company's strategy for the future is to focus on these activities that proved to be efficient even in the period of crisis.

Concerning the rental of premises, currently the company has a solid position in the market as it was the first company to offer the local market of the business a proper logistic park. The company is always concerned to strengthen the position it holds in the local market of logistic premises. For this purpose, the logistic park is permanently refurbished and extended and the company's strategy is to strengthen the relations with traditional customers, multinational companies with which it has long-term business relations. Over time, the quality of services provided to customers has steadily increased, with a positive impact in terms of client portfolio consisting of partners with solid financial position and good reputation.

The Company's good reputation also had a positive impact on the residential development activity, ensuring a steady and sustained pace of sales.

As of 2016, has implemented an expansion program through the development of new logistic parks both in Cluj county and in other places in the country. The first new logistic park (TRC PARK Cluj) started to be developed in TETAROM III Industrial Park. The first stage of this project was completed in late 2017. The company intends to commence the second development stage in 2018.

Furthermore, the company, via an affiliated company, controlled by Transilvania Constructii, entered the local market of office buildings through the purchase and completion of two office buildings TETEROM I Industrial park-Taietura Turcului. Within this project, the first stage (an office building comprising of basement+ground floor+3 floors) is going to be put into service at the beginning of 2017.

1.1.9 Perspectives on the company's activity

a) **The Company does not face substantially uncertainty factors which could affect the company's liquidity in the future.** However, due to the circumstances created by the economic crisis, the company will develop a business plan based on a thorough analysis of potential clients that would have themselves uncontested cash.

b) In 2016 and 2017 the company made the following investments:

Name of asset category	Investments-RON	
	2017	2016
Computer programs	78,423	22,319
Land	5,319,856	1,017,911
Accepted buildings	27,333,231	27,173,933
Buildings-under construction	625,254	1,499,729
Means of transport, machines	2,399,565	2,922,623
IT equipment and furniture	164,423	21,449
Total investments	**35,920,752**	**32,657,964**

The investments made by the company do not have a negative effect on the company's cash flow as the investments are financed at an extent at least 85% from bank loans or financial leasing accessed by the company. The installments related to these loans are matched with the incomes generated by these investments so that the net effect on cash flow is positive.

c) The company earns income from the following (core) activities:

Activity	2016		2017	
	Amount	%	Amount	%
Transilvania Logistic Park	19,220,885	92.4%	20,091,346	79.94
TRC Park Cluj	90,681	0.4%	3,888,624	15.47
Sport centre	977,891	4.7%	997,819	3.97
Other activities	502,380	2.4%	156,488	0.62
TOTAL	**20,791,837**	**100.0%**	**25,134,277**	**100.00**

The company estimates that in 2018, the activity will follow an upwards trend, without major changes concerning the main activities carried out.

In 2018, the company will continue implementing the development strategy by continuing construction works for TRC Park Cluj logistic park, located in TETAROM III Jucu. The 2nd

development stage of TRC Park Cluj shall be initiated.
Moreover, in 2018, the company shall extend Transilvania Logistic Park by building new warehousing spaces.
The company shall start to operate also in another area of the country. In this regard, in 2018, it shall start construction of a logistic park outside Cluj Napoca.

According to the Income and Expenditure Budget, in 2018, the company aims at achieving a turnover of RON 41,354,805, an operating profit of RON 11,436,050 and a net profit of RON 4,866,674.

The turnover will mainly result from:

- Transilvania Logistic Park RON 22,986,824. The company estimates to obtain additional income compared to the previous year, both by additionally accepted premises in 2017, and by increase of rentals, increase possible due to the increase in the market of industrial premises especially in Cluj Napoca. Moreover, new industrial spaces shall be commissioned.
- TRC Park Cluj logistic park. The company estimates that in 2018 to obtain additional income in the amount of RON 16,975,111.
- Sport centre: RON 1,195,000. The company estimates additional income compared to the previous year, by holding sports and corporate events (tennis, football tournaments, team-building). Moreover, additional income shall be generated from the 3 football fields with synthetic grass, built in 2017.

2. The company's tangible assets

Most of the company's tangible assets cover real estate (land and buildings), leased by the company to third parties. Moreover, the company owns motor vehicles, equipment, IT components and furniture. The synthetic statement of tangible assets of the company shall be illustrated in the tables below:

- summary of the buildings and land owned by the company:

No.	Address	Land area - sqm.	Constructions area	% constructions wear and tear	Ownership
1	Cluj Napoca, 10, Orastiei street - Transilvania Logistic Park	185,707	87,406	51%	the land and buildings are owned by the company
2	Jucu commune, Juc Herghelie village, 69B, Principala street	107,353	32,078	5%	the buildings are owned by the company; the land is the property of TETAROM SA, and the company has a superficies right for a period of 99 years
3	Cluj Napoca, 41, 1 Decembrie 1989 Avenue	52,600	16,480	75%	the buildings are owned by the company; the land is the property of the Romanian state and the company has an administration right
4	Bucharest, district 6, 411B, Calea Giulesi	6,529	0	0%	the land is owned by the company
	Total constructions and buildings	**352,189**	**135,964**		

Besides the land owned, at December 31st, 2017 the company controls the following real estate asset:
- land located in Jucu commune, Juc Herghelie village, 69B, Principala street (TETAROM III Jucu),

with a total area of 251,701 sqm, the property of SC TETATOM SA. The company acquired a superficies right over this land for a period of 99 years.

On December 31st, 2017, parts of the land and constructions owned by the company are mortgaged in favour of CEC Bank SA:

- real estate collateral for investment loans, in the amount of EUR 20,795,634;
- real estate collateral for line of credit in the amount of RON 4,500,000;
- real estate collateral for line of credit in the amount of RON 9,000,000;
- real estate collateral for ceiling for the issuance of letters of bank guarantee in the amount of Ron 5,550,000.

The company also owns other categories of tangible assets, respectively:
- a car fleet comprised of 13 vehicles;
- equipment and machinery for the company's warehouses;
- IT equipment;
- furniture.

Part of the vehicles were purchased under finance lease. The equipment and furniture are company property.

No.	Category of tangible assets	Net value	% wear and tear
1	Equipment and machinery	4,152,531	28%
2	Vehicles	2,277,162	36%
3	IT equipment and furniture	338,126	45%
Total		**6,767,819**	

3. Securities market

The company's shares are traded only on the Romanian market.
SC Transilvania Constructii SA is a listed company; its shares are admitted to trading on the Bucharest Stock Exchange, standard category, with the trading symbol COTR. The Register of Shareholders is kept by Depozitarul Central SA Bucharest.
The reports to the capital market were made within the terms provided by the relevant legislation.

Dividend policy

The General Ordinary Meeting of Shareholders convenes at least once a year, no later than 4 months from the end of the financial year. Depending on the company's financial earnings, the shareholders will decide on the division of profit as dividends, if applicable, and in case of registration of loss, the shareholders will decide on the appropriate decrease or increase of the share capital.

The decisions of the General Ordinary Meeting of Shareholders must be submitted within 15 days from their adoption to the Trade Register Office for mention and will be published in the Official Journal of Romania, part IV.
The General Ordinary Meeting of Shareholders in which the distribution of dividends is adopted will establish as well a date, with at least 10 business days following the date of the shareholders' general

meeting, which will be used to identify the shareholders who are going to benefit from the dividends. The dividends will be paid on the date set by the general meeting when the dividend is established, and the payment term for these will not exceed 6 months from the date of the general meeting of the shareholders' held to establish the dividends.

In the last 3 years the company paid the following dividends:

In 2015, the Company lost the litigation against SIF Banat Crisana, through which it challenged the decision of the General Meeting of Shareholders of March 11th, 2014, by which the shareholders decided to cancel the payment of dividends which had been approved by the Decision of the GMS of September 20th, 2013. The dividends approved during the meeting amounted to RON 945,803 (gross dividend per RON 1 share), taking into consideration the number of outstanding shares on September 20th, 2013).

In 2016, the company granted no dividends.

In 2017 the company granted the following dividends:

- according to the OGMS as of August 10th, 2017, dividends amounting to RON 959,701 were granted, the gross dividend/share being RON 1.2. The payment of dividends started on September 19th, 2017;

- according to the OGMS as of November 6th, 2017, dividends amounting to RON 1,319,589.15 were granted, the gross dividend/share being RON 1.65. The payment of dividends started on December 14th, 2017;

Related companies

The company owns the trading company MELISA PROD SRL as related company, set up in 2005. The related company has registered office in Cluj-Napoca, 10 Orastiei street.

SC MELISA SRL has a share capital of RON 103,634, divided into 20 shares. SC TRANSILVANIA CONSTRUCTII SA owns 19 shares, at a nominal value of RON 98,452.3.

Sc Melisa SRL does not own shares of SC Transilvania Constructii SA.

In 2015 the Company set up the following limited liability companies, in which the company holds 95% of the share capital:

ABC Facility Management, tax ID: 35226834, with office in Cluj Napoca, 10 Orastiei Street;
Invincible Real Estate, tax ID: 35226842, with office in Cluj Napoca, 10 Orastiei Street;
Novis Plaza, tax ID 35226850, with office in Cluj Napoca, 47 Taietura Turcului Street

The company Invincible Real Estate did not carry out any activity from set-up to the date of this report. Novis Plaza started its operation in 2016, while ABC Facility Management SRL started its operation in 2017.
These companies do not hold shares issued by SC Transilvania Constructii SA.

The company did not issue bonds.

4. The trading company's management

4.1 The company's **administrative management** is provided by the Board of Directors with the following structure:

On December 31st, 2017

-Timofte Mircea- Chairman of the Board of Directors;
-Timofte Andrei - Member of the Board of Directors and General Manager;
-Legean Viorel - Member of the Board of Directors

1. Timofte Mircea – Chairman of the Board of Directors –

He is member of the Board of Directors and its chairman. He is 63 years old and he is an engineer. He graduated from the Polytechnic Institute, Faculty of Electrical Engineering, Cluj-Napoca. Between 1979-1985 and 1986-1987, Mr. Timofte worked as an engineer at Grup Santiere Cris-Somes. Between 1985 and 1986 he was an engineer at Carbochim S.A., while between 1988 and 1989 he held the same position at Cooperativa Potaisa Turda. From 1996 until October 2012 he was General Manager of S.C. Brieta S.R.L Cluj-Napoca. Since April 14th, 1999 and to date he has been the director of S.C. Transilvania Constructii S.A. Cluj-Napoca. For the current mandate of the Chairman of the Board of Directors, Mr. Timofte Mircea was reelected at the General Ordinary Meeting of Shareholders of March 11th, 2014.

The expiry date of his mandate is March 11th, 2018.

Mr. Timofte Mircea has the following family relations with the other members of the administrative, managerial and supervisory bodies: - he is the father of Mr. Timofte Andrei Iancu, member of the Board of Directors and General Manager of the company; in the General Ordinary Meeting of Shareholders of March 11th, 2014, where he was appointed Chairman of the Board of Directors, he acted together with Mr. Timofte Andrei Iancu, legal representative of S.C. Parc Logistic Transilvania S.R.L., the company which at that time owned a number of 578,737 shares, representing 61.91% of the company's share capital;
At the end of 2017, he owns 285,072 shares in the company, representing 35.65 % of the share capital.
Mr. Timofte Mircea is a non-executive member of the Board of Directors.

2. Timofte Andrei Iancu – member of the Board of Directors and General Manager

He is a member of the Board of Directors. He is 31 years old and an economist by profession. He graduated from the Faculty of Economics and Business Administration at Babes-Bolyai University in 2009. Between 2004 and 2006 he was an administrative employee at S.C. Brieta Ind. Com. S.R.L. Cluj-Napoca, and between December 1st, 2006 and May 1st, 2007 he held the position of economic officer at S.C. Transilvania Constructii S.A. Since July 1st, 2007 he has been a member of the Board of Directors.
Mr. Timofte Andrei Iancu currently holds as well the following management positions in other companies:

- sole shareholder of SC Melisa Prod SRL - company without activity;
- sole shareholder of SC ABC Facility Management SRL - company without activity;
- sole shareholder of SC Invicible Real Estate - company without activity;
- sole shareholder of SC Novis Plaza SRL;

The expiry date of his mandate is March 11th, 2018.
Mr. Timofte Andrei-Iancu is the son of Mr. Timofte Mircea.
At the Ordinary General Meeting of Shareholders on March 11th, 2014, when he was appointed Member in the Board of Directors, he acted together with Mr. Timofte Mircea, who at that time owned a number of 285,072 shares, representing 30.14 % of the company's share capital;
At the end of 2017, he owns a number of 461,635 shares, representing 57.72% of the share capital.
Mr. Timofte Andrei Iancu is an executive member of the Board of Directors.

3. Mr. Legean Viorel

He has been a member of the Board of Directors since September 13th, 2016.
He is 57 years old and a construction technician by profession.
He completed the Industrial High School no. 6 of Cluj-Napoca. In recent years he has completed various training courses.
Between 1979-1994, he worked at Trustul de Constructii Cluj, as lab operator. Between 1995- 2015, he worked at SC Transilvania Constructii SA, as Laboratory technician - Head of Laboratory Tests. After 2015, he worked at Betonexpres Industrial, as constructions technician - Head of Laboratory Tests.
On December 31st, 2016, Mr. Legean Viorel owns no shares in the company.
There is no agreement, arrangement or family relationship between Mr. Legean Viorel and another person.
Mr. Legean Viorel is an independent non-executive member of the Board of Directors.
The expiry date of his mandate is March 11th, 2018.
Starting from September 13th, 2016, Mr. Legean will perform the duties of the Audit Committee (will supervise the internal control activities, company's internal audit, respectively).

4.2 The executive management consists of the Executive Committee, comprising of:

- Timofte Andrei Iancu- General Manager;
- Barz Lucian -Financial Manager.

Mr. Timofte Andrei Iancu, who is also a member of the Board of Directors, owns a number of 461,635 shares representing 57.72% of the share capital.

4.2.b) Not applicable.
None of the persons mentioned above has been implicated in any litigation or administrative procedure related to their activity.

5. Financial and accounting statements

a) Presentation of balance sheet items

The statement of the company's assets and liabilities is as follows:
For the analysis of the company's financial performance status we will present the data included in the financial statements ended on December 31st, 2017, compared to the previous years.
Starting with the financial reporting for 2012, the company applies the Accounting regulations in compliance with the international financial reporting standards.
The financial statements for the financial year 2017 were prepared in accordance with the Order of the Ministry of Public Finance No. 2844/2016 of December 12th, 2016 for the approval of the Accounting regulations in line with the International Financial Reporting Standards

The main items related to the company's financial position are presented below:

RON

Item	**2015**	**2016**	**2017**
Intangible assets	8,166	21,293	81,761
Tangible assets	146,007,421	171,064,866	191,439,076
Financial assets	4,570,221	13,527,593	17,318,786
Total fixed assets	**150,585,808**	**184,613,752**	**208,839,623**
Inventories	481,575	326,090	315,861
Receivables	3,394,807	9,181,618	3,762,376
Available cash	3,703,249	2,684,550	4,980,516
Accrued expenses	11,391	31,162	39,683
Total non-current assets	**7,591,022**	**12,223,420**	**9,098,436**
TOTAL ASSETS	**158,176,830**	**196,837,172**	**217,938,059**
Share capital	26,391,783	26,391,783	26,391,783
Adjustment of the share capital, acc. to IFRS	27,019,805	27,019,805	27,019,805
Reserves	4,305,486	6,593,780	6,871,156
Shareholders' equity	-104,544	-104,544	-104,544
Retained earnings	31,331,759	33,948,502	31,669,213
Total shareholders' equity	**88,944,289**	**93,849,326**	**91,847,413**
Long-term liabilities	61,742,279	87,069,008	114,718,147
Short-term liabilities	7,490,262	15,918,838	11,372,499
Total liabilities	**69,232,541**	**102,987,846**	**126,090,646**
TOTAL LIABILITIES	**158,176,830**	**196,837,172**	**217,938,059**

A) <u>ANALYSIS OF ASSETS</u>

The total assets at the end of 2017 is higher by RON 21,100,887 as compared to 2016.
The detailed analysis of the assets is presented below:

1. Fixed assets

Item name	Gross values			Net values		
	2016	2017	Differences (2017-2016)	2016	2017	Differences (2017-2016)
Intangible assets	**280,761**	**359,186**	**78,425**	**21,293**	**81,761**	**60,468**
Tangible assets	**234,377,992**	**263,820,442**	**29,442,450**	**171,064,866**	**191,439,076**	**20,374,210**
Land and land improvements	5,072,939	5,072,939	**0**	5,054,216	5,051,546	**-2,670**
Constructions	8,654,058	9,235,152	**581,094**	2,365,644	2,480,015	**114,371**
Technical inst., equipm., machinery	7,811,526	9,342,049	**1,530,523**	5,537,987	6,429,693	**891,706**
Other tangible assets (office automation, furniture)	478,530	613,092	**134,562**	229,796	338,126	**108,330**
Investment properties	206,822,993	238,894,987	**32,071,994**	152,339,277	176,477,473	**24,138,196**
Investment properties in progress	5,537,946	662,223	**-4,875,723**	5,537,946	662,223	**-4,875,723**
Financial assets	**13,527,593**	**17,318,786**	**3,791,193**	**13,527,593**	**17,318,786**	**3,791,193**
Total	**248,186,346**	**281,498,414**	**33,312,068**	**184,613,752**	**208,839,623**	**24,225,871**

As it can be seen in the table, the fixed assets increased in 2017 as compared to 2016, both in terms of gross values and net values.

1.1 Intangible assets: the gross and net value of these assets increased, since in 2017 the company acquired a number of computer software to improve its information flows. The most important purchase was a license for an ERP (Charisma), designed to manage centralised all company processes.

1.2 Tangible assets:

Their value increased both in terms of gross and net amounts since in 2017 the company completed and accepted the investments described in the previous sections of the report.

Tangible assets increased by Ron 20,374,210 net. The most significant increase was registered by property investments (RON 24,138,196).

As such, the works related to stage II of the development of TRC PARK Cluj Logistic Park, located in TETAROM III Jucu Industrial Park (14,000 sqm of warehouses), and the upgrading works to the warehouses in Transilvania Logistic Park have been accepted. The most important works carried out in Transilvania Logistic Park have been those for infrastructure rehabilitation, as well as recompartmentalization and improvement of Warehouse 35.

At the end of 2017, the majority of investment properties in progress included works executed by the company within the infrastructure rehabilitation programme at Transilvania Logistic Park.

1.3 Financial assets: In 2017, their value increased compared to the previous year by the amount of RON 3,791,193.

The value of RON 17,318,786 in the balance at the end of 2017 consists of:

- SC Melisa Prod SRL: the value of shares owned is of RON 172,774, the company holding 19 out of 20 shares constituting the share capital, that is, 95% of the capital;

-SCS CFR 1907 Cluj SA: the value of the shares owned is of RON 4,360,890. The company owns 43,608,910 shares, representing 4.6 % of the share capital.

- Novis Plaza: the accounting value of parties held is of RON 1,375,790. The company holds 95% of

share capital;
- ABC Facility Management: the accounting value of parties held is of RON 190. The company holds 95% of share capital;
- Invincible Real Estate: the value of shares owned is of RON 190; The company holds 95% of share capital;
- the value of trade receivables due over a period of more than 1 year: RON 386,799.
- the amount of intra-group long-term loans granted by the company. The company granted a loan to Novis Plaza SRL, to be repaid within a maximum period of 10 years, in the total approved amount of RON 13,500,000. The value of the loan on the balance sheet on December 31st, 2017 was RON 10,930,552. - collateral paid to Novis Plaza, corresponding to a premises rental contract: RON 91,601.

2. Current assets

Item name	Values 2016	Values 2017	Differences (2017-2016)
Inventories	326,090	315,861	-10,229
Receivables	9,181,618	3,762,376	-5,419,242
Available cash	2,684,550	4,980,516	2,295,966
Accrued expenses	31,162	39,683	8,521
Total	**12,223,420**	**9,098,436**	**-3,124,984**

In 2017 the current assets decreased by RON 3,124,984 as compared to 2016.
It can be noted that such increase affected receivables in particular.
In 2017, the company collected the payable VAT, which was due at the end of 2016
The cash available to the company at the end of 2017 was of RON 4,980,516.

3. Accrued expenses are amounts registered during 2017 that refer to subsequent periods.

B. ANALYSIS OF LIABILITIES

1. Shareholders' equity

The structure of shareholders' equity is presented below:

Item name	Values 2016	Values 2017	Differences (2016-2015)
Share capital	26,391,783	26,391,783	0
Adjustment of the share capital, acc. to IFRS	27,019,805	27,019,805	0
Reserves	6,593,780	6,871,156	277,376
Shareholders' equity	-104,544	-104,544	0
Accrued earnings, except for IAS 29	58,351,563	58,689,018	337,455
Accrued earnings-IAS 29	-27,019,805	-27,019,805	0
Profit or loss in the reporting period	4,905,037	277,376	-4,627,661
Profit allocation	-2,288,293	-277,376	2,010,917
Total shareholders' equity	**93,849,326**	**91,847,413**	**-2,001,913**

In 2017 the shareholders' equity increased compared to the previous year by the amount of RON 2,001,913.

The decrease was generated by the distribution of dividends of a party in the reported profit/loss. In 2017, the company assigned dividends amounting to RON 2,279,289.

2. Total liabilities

Overall, the liabilities decreased in 2017 compared to the previous year.

Item name	Values 2016	Values 2017	Differences (2017-2016)
Long-term liabilities	**87,069,008**	**114,718,147**	**27,649,139**
- bank credits	72,946,122	101,426,248	28,480,126
- other loans	612,500	0	-612,500
- finance lease	331,618	211,511	-120,107
- performance bonds withheld	1,615,951	1,601,817	-14,134
-deferred income tax	11,479,691	11,395,445	-84,246
-provisions for risks and expenses	83,126	83,126	0
Short-term liabilities	**15,918,838**	**11,372,499**	**-4,546,339**
- bank credits	5,776,644	1,753,498	-4,023,146
- finance lease	522,526	253,165	-269,361
-other loans	204,421	26,921	-177,500
-shareholder loan	4,071	0	-4,071
- trade payables	6,290,618	5,840,217	-450,401
- payables to employees	142,274	150,596	8,322
- taxes and duties	833,435	136,166	-697,269
- performance bonds withheld	1,648,549	1,754,931	106,382
-various creditors	496,300	1,457,005	960,705
Total	**102,987,846**	**126,090,646**	**23,102,800**

3.1. Payables with reimbursement term exceeding one year have a value of RON 114,718,147. During 2017 there is an increase in these payables, especially in case of bank credits.

The increase was generated by the implementation of the development program approved by the company's shareholders. This plan entails extension of the commercial premises controlled by the company, both locally and at regional level. Since a large portion of this program is financed from raised funds, i.e. long-term investment loans, the increase of long-term payables is normal.

In case of all other types of long-term payables it decreases can be noted compared to the previous year, especially in case of shareholders loans.

On December 31st, 2017, the situation of the bank credits contracted by the company is the following:

EURO

No.	Bank	Destination	Amount granted	Balance on December 31st, 2016	Balance on December 31st, 2017
1	CEC Bank	refinancing BT credits	6,693,437	6,504,284	6,434,284
2	CEC Bank	financing warehouse 10,000 sqm	3,900,000	3,884,802	3,874,802
3	CEC Bank	financing infrastructure restoration in PLT	1,078,129	887,297	1,062,129
4	CEC Bank	financing TRC Park Cluj	8,142,000	4,586,176	7,766,944
5	CEC Bank	financing 2017-PLT investments	869,953	0	0

6	CEC Bank	refinancing BT credit	493,160	438,179	414,467
		Total	**21,176,679**	**16,300,738**	**19,552,626**

Moreover, the company contracted the following lines of credit from CEC Bank:
- a credit line to support current activities, in the amount of RON 4,500,000, valid until August 2019. On December 31st, 2017, the amounts drawn from this line amounted to RON 0;
- a credit line to purchase assets in the amount of RON 9,000,000, with validity until August 2022. On December 31st, 2017, the company had not yet drawn the amount of RON 7,345,759.28 from this line.

The balance of bank credits contracted by the company increased compared to the previous year in the amount of EUR 3,251,888 since the company withdrew amounts from the approved bank credits to finance the activity related to the development of a new logistic park.

3.2. Short-term payables
Value: RON 11,372,499.
These payables decreased significantly compared to the previous year by the amount of Ron 4,546,339 due to the following factors:
- reduction of loans, as a results of the maturity date increase for the line of credit of RON 4,500,000, until August 2019;
- reduction of commercial payables (amounts due to suppliers which ensure the implementation of the company's development programme);
- reduction of tax debts;

The company's degree of indebtedness at the end of 2017 is of 56% and the company has a very good creditworthiness.
As at December 31st, 2017, the company has no outstanding debt (no outstanding and unpaid obligation to financers, state institutions, employees and suppliers).

Other commitments of the company, not recognised in the balance sheet
On December 31st, 2017, the total ceiling granted by CEC Bank SA according to which the company could apply for the issuance of letters of bank guarantee is of RON 5,550,000.
From the total ceiling for the issuance of letter of bank guarantee, on December 31st, 2017, the company issued letters in the amount of RON 5,124,389.25, respectively:
- for performance bonds granted to beneficiaries RON 83,126.24;
- for good payment RON 4,902,969.64,
- to guarantee the advance payments collected RON 138,293.37.

b) Profit and loss account
The income and the expenses in the last 3 years are presented in the table below:

Ron

Name of indicator	Earned 2015	Earned 2016	Earned 2017
1. Turnover	21,369,307	20,791,837	25,134,277
2. Variation of inventories	-2,600,115	-144,641	613,501

4. Other operating income	855,394	1,886,087	-96,556
TOTAL OPERATING INCOME	**19,624,586**	**22,533,283**	**25,651,222**
1. Expenses with raw materials and consumables	3,129,128	2,836,283	3,210,800
2. Personnel and social insurance expenses	1,351,316	1,548,049	1,894,462
3. Amortization and depreciation	6,309,734	8,772,649	9,719,886
4. Expenses related to external services	1,391,214	3,491,321	4,348,617
5. Other operating expenses	1,282,302	-95,174	858,105
TOTAL OPERATING EXPENSES	**13,463,694**	**16,553,128**	**20,031,870**
OPERATING EARNINGS (PROFIT)	**6,160,892**	**5,980,155**	**5,619,352**
TOTAL FINANCIAL INCOME	**76,691**	**2,878,167**	**4,737**
1. Interest expenses	2,744,368	2,755,307	2,856,788
2. Other financial expenses	529,815	619,362	2,358,418
TOTAL FINANCIAL EXPENSES	3,274,183	3,374,669	5,215,206
FINANCIAL EARNINGS	**-3,197,492**	**-496,502**	**-5,210,469**
TOTAL GROSS EARNINGS	**2,963,400**	**5,483,653**	**408,883**
INCOME TAX	377,069	578,616	131,507
NET INCOME	**2,586,331**	**4,905,037**	**277,376**

Based on the comparative analysis of the profit and loss account of 2016 and 2017, the following conclusions can be drawn:

Concerning the evolution of **income:**

a) **Operating income**:

The operating income registered in 2017 is higher by RON 3,117,939 than the income registered in 2016.

b) **Financial income** is mainly represented by interests collected by the company.

Concerning the **expenses:**

a) Operating expenses:

Overall, there is a decrease in the operating expenses. The increase was generated by the development of the business. The amortization and depreciation expenses also increased, driven by the increase in value of the company’s real estate assets (amortization), and by the entry of adjustments for the depreciation of receivables (for contested receivables).

b) The financial expenses incurred by the company remained at approximately the same level as in the previous year.

The financial expenses comprise of:

- expenses with financing cost, amounting to RON 2,856,788. The expenses with financing cost are approximately at the same level with those recorded in 2016;
- expenses with foreign exchange differences corresponding to foreign currency credits. These expenses amount to RON 2,358,418, significantly higher than those recorded in 2016. These expenses are higher, since in 2017, the exchange rate for RON/EUR increased constantly.

The operating income was of RON **5,619,352**, lower than the income registered in 2016.

The return on turnover was of 22 %.
EBITDA was of RON 15,339,238 (61% from the turnover), higher than the EBITDA registered in 2016, which was of RON 14,752,804 (71% of the turnover).

The company registered a financial loss of RON 5,210,469. This financial loss was registered due mainly to the interests paid for the increased capital, as well as due to the losses registered upon the reassessment of credits contracted in foreign currency, on an unfavorable exchange rate.

The net profit was of RON 277,376, lower than the net income registered in 2016.

The company paid dividends amounting to RON 2,279,289 in 2017.

c) Analysis of the cash flows in 2017:

in RON	**2017**
Cash flows from operating activities	
Collections from clients	37,388,696
Payments to suppliers	-32,426,736
Payments to employees	-1,138,308
Payments to the state budget	-1,682,468
Other payments related to operating activities	-1,226,735
Interests paid	-36,468
Income tax paid	-205,487
Net cash from (used in) operating activities	**672,494**
Cash flows from investing activities	
Interests collected	0
collections from the sale of tangible assets	0
Payments for the purchase of tangible assets	-8,847,010
Payments for financing affiliated companies	-5,125,600
Net cash from (used in) investing activities	**-13,972,610**
Cash flows from financing activities	
Collections from long-term bank loans contracted	22,648,448
Payment of liabilities related to bank credits	-3,354,126
Payment of liabilities related to finance lease	-502,810
Payment of other liabilities related to financing activities	-1,067,672
Payment of dividends	-2,100,159
Net cash from (used in) financing activities	**15,623,681**
Net increase of cash and cash equivalents	**2,323,565**
Effect of exchange rate fluctuations on cash	-27,599
Cash and cash equivalent at the beginning of the financial year	**2,684,550**

Cash and cash equivalent at the end of the financial year	**4,980,516**

As it can be noted, the operating activity generated a cash deficit of RON 672,494.
Payments amounting to RON 13,972,610 were paid for the investment activity. The payments of investment activities comprise long-term loans granted to companies within the group, as well as real estate purchases (land and constructions located in Cluj Napoca, for expansion of Transilvania Logistic Park).
Within the financing activity there were payments made to reimburse debts in the amount of RON 7,024,767. The company collected the amount of RON 22,648,448 lei, as disbursements from the contracted loans to finance the investments. The financing gap is of RON 15,623,681.
This cash surplus was used to finance the company’s operating activities, particularly to finance the development programme.
At the end of financial year 2017, the company had cash and cash equivalents in the amount of RON 4,980,516. This cash covered all the company’s payables due.

Issues related to corporate governance

Statement on conformity with the Corporate Governance Code of Bucharest Stock Exchange

The company Transilvania Constructii complies with the majority of the provisions of the Corporate Governance Code of Bucharest Stock Exchange. Currently the company is under process of implementing the provisions of the Corporate Governance Code of Bucharest Stock Exchange in all processes, procedures and levels of the company’s management so that in a reasonable time the company will be able to comply fully with the provisions of the Corporate Governance Code of Bucharest Stock Exchange.

A full statement on the way in which the company complies with the provisions of CCG is attached to this report.

The responsibilities of the Board of Directors

Currently there is no formalised document (in this case a separate document that would include the Terms of Reference), but there are clear provisions concerning the operation of the Board of Directors in the company’s Articles of Incorporation, the fundamental document based on which the company operates.
The most important issues concerning the operation of the Board of Directors are detailed below:
- to establish the main directions of activity and development of the company
- to establish the financial accounting and audit system in approving the financial planning
- to appoint and revoke directors and to establish their remuneration
- to supervise the managers’ activity
- to prepare the annual report, to organise general meetings of shareholders and to implement its decisions
- to submit the application for the opening of the company’s insolvency procedure according to Law no. 85/2014 on insolvency procedure
- responsibilities received from the general meeting of shareholders.

The Board of Directors is convened at least once in three months and whenever necessary to discuss and make decisions on the company's activity.
The structure of the Board of Directors as well as the professional CVs and other commitments of the members are presented in point 4 of this report.
In 2017, the appointed Secretary of the Board of Directors was Mr. Barz Lucian, the company's employee who holds the position of Financial Manager.
During 2017, the Board of Directors' activity was not assessed. The procedure for the assessment of the Board of Directors' activity is currently under implementation.
The company estimates that 2019 will be the first year when this process assessing the Board of Directors' activity will actually take place.

During 2017, the Board of Directors convened many times in order to assess the company's global activity but also to analyse and approve certain transactions whose approval fell exclusively under the competence of the Board of Directors.
In total the Board of Directors met 18 times.

The table below presents the attendance of the members of the Board of Directors in the 2017 meetings.

Director	Activity period	No. of meetings
Timofte Mircea	01.01.2017-31.12.2017	18
Timofte Andrei Iancu	01.01.2017-31.12.2017	18
Legean Viorel	01.01.2017-31.12.2017	18

In 2017, there was no Audit Committee operating within the Board of Directors. Mr. Legean Viorel was in charge of supervising the activity of the Internal Audit Department as well as the activity of the company's internal auditor.
Considering the volume and complexity of the company's activity, as well as the number of members in the Board of Directors, it does no appear to be necessary to set up an Audit Committee including more members.

Transactions with related parties:

In 2017, the company carried out the following transactions with related parties:

1. Transactions with Brieta Industrial COM SRL
2017:
- the company did not have turnover or balances in the accounts 401 and 4111.
2016:
- the company did not have turnover or balances in the accounts 401 and 4111.

Further on, the company contracted a loan from SC Brieta Industrial Com, in the amount of RON 980,000, with maturity by December 31st, 2022 and grace period until December 31st, 2015. The interest paid by the company is the reference interest rate communicated by NBR. In August 2017, Transilvania Constructii fully refunded the outstanding loan, namely RON 790,000.

Opening loan balance on January 1st, 2017: RON 790,000;

Debit cash flow RON 790,000
Closing loan balance on December 31st, 2017: RON 0

- In 2017, the company registered interest expenses related to credit contracted amounting to: RON 8,825.28.
- In 2016, the company registered interest expenses related to credit contracted amounting to: RON 17,197.02.

2. Transactions with Novis Plaza SRL, tax ID: 35226850, with office in Cluj Napoca, 47 Taiatura Turcului street; Transilvania Constructii holds 95% of the share capital.
Transilvania Constructii has completed the following transactions with Novis Plaza:

- in 2017:

Opening balance account 401: RON 28,021.87;
Credit cash flow account 401: RON 819,719.79
Debit cash flow account 401: RON 837,228.39;
Final balance account 401: RON 10,513.27;

Opening balance account 404: RON 0.00;
Credit cash flow account 404: RON 137,461.18
Debit cash flow account 404: RON 137,461.18;
Final balance account 404: RON 0.00;

Transilvania Constructii paid premises rental and utility reinvoicing services. Moreover, Transilvania Constructii purchased furniture for the new registered office of Novis Plaza SRL

Opening balance account 4111: RON 3,439,474.84
Debit cash flow account 4111: RON 50,407.40
Credit cash flow account 4111: RON 3,074,689.57
Final balance account 4111: RON 415,192.67

In 2017, the company increased its share ownership in the share capital of Novis Plaza, amounting to RON 190 to RON 1,375,790. As the minority shareholder increased its share ownership, the share held in the share capital of Novis Plaza remained unchanged, i.e. 95%.

- granting loan to Novis Plaza:

Opening debit balance account 4511: RON 8,599,701.83;
Debit cash flow account 4511: RON 2,339,450.00;
Credit cash flow account 4511: RON 9,100.00:
Final debit balance account 4511: RON 10,930,551.83

- in 2016:

Opening balance account 401: 0.00;
Credit cash flow account 401: RON 28,021.87
Debit cash flow account 401: RON 0.00;

Final balance account 401: RON 28,021.87;

The transactions consisted in service rendering and they were performed at arm's length;

Opening balance account 4111: 0.00;
Debit cash flow account 4111: 25,455,203.84;
Credit cash flow account 4111: 22,015,729.00;
Final balance account 4111: 3,439,474.84;

Transilvania Constructii carried out the following deliveries to Novis Plaza:
- Delivery of a real estate property located in Cluj Napoca, 47, Taietura Turcului street (TETAROM 1 Industrial Park), comprising of 2 buildings: building A (basement+ground floor+3 floors), namely building B (basement+ground floor+7 floors).
The transaction was carried out at arm's length, based on appraisal reports prepared by chartered appraisers, members of ANEVAR.
- services carried out on the prior-mentioned real estate property. Service rendering has been carried out during October-December 2016.

-granting loan to Novis Plaza:

Opening debit balance account 4511: RON 0.00;
Debit cash flow account 4511: RON 8,599,701.83;
Credit cash flow account 4511: RON 0.00;
Final debit balance account 4511: RON 0.00

3. Transactions carried out with ABC Facility Management:

- in 2017:
-loan granted to ABC Facility Management:

Opening debit balance account 4511: RON 0.00;
Debit cash flow account 4511: RON 1,420,000.00;
Credit cash flow account 4511: RON 0.00;
Final debit balance account 4511: RON 1,420,000.00

- in 2016: the company did not carry out transactions with ABC Facility Management;

4. In 2017, the company carried out the following transactions with the management personnel:

In 2017, the company carried out the following transactions with the management personnel:
Opening balance account 4551- analytic Timofte Andrei Iancu: RON 4,070.60;
Credit balance: 0;
Debit balance: RON 4,070.60;
Final balance account 4551:- analytic Timofte Andrei Iancu: RON 0

In 2016, the company carried out the following transactions with the management personnel:
Opening balance account 4551- analytic Timofte Andrei Iancu: RON 2,827,456.60;

Credit cash flow: 800,000;
Debit balance: RON 3,623,386;
Final balance account 4551:- analytic Timofte Andrei Iancu: RON 4,070.60

Full information on the company's related parties are presented in Notes to the Financial Statements (Note 30)

The compensation granted to the members of the Board of Directors is established by the General Ordinary Meeting of Shareholders. At the same time, GMS establishes possible additional compensation or other benefits granted to the members of the Board of Directors.

The table below presents the gross compensation received by the members of the Board of Directors in 2017.

Director	**Gross compensation – basic - RON**	**Other bonuses**	**Benefits in kind**
Timofte Mircea	0	0	Telephone and company car
Timofte Andrei Iancu	13,724	0	Telephone and company car
Legean Viorel - period	8,496	0	Telephone and company car

BOARD OF DIRECTORS

CHAIRMAN TIMOFTE MIRCEA

MEMBER TIMOFTE ANDREI

MEMBER LEGEAN VIOREL

Appendix no. 1 to the 2017 Annual Report

Statement of Compliance with the Corporate Governance Code

No.	Provision from the Corporate Governance Code	Applies YES/NO	Reason for non-application
1	A.1. All companies must have an internal regulation of the Board containing the terms of reference/responsibilities of the Board and the key management positionsof the company, and which applies, inter alia, the General Principles from Section A.	NO	The company has not put in place a formalised regulation, but the terms of reference, the key management positions of the company, the convening procedures of meetings, holding of meetings are set out in the Articles of Incorporation. A formalised regulation is currently being drafted.
2	A.2. The Board Regulation must contain provisions on the management of. conflicts of interest. At any rate, The Board members must notify the Board concerning any conflicts of interest which occurred or may occur and must refrain from participating in discussions (including by absence, unless where the absence would prevent the formation of a quorum) and from voting for the adoption of a decision on the matter which gives rise to the conflict of interest.	YES	Such provisions are included in the Articles of Incorporation of the company and will be included in the Board Regulation.
3	A.3. The Board of Directors or Supervisory Board must be made up of at least five members.	NO	The Board of Directors is made up of 3 members as the shareholding structure, the business volume and complexity do not impose a Board made up of 5 members. A Board made up of 3 members entails fewer formalities on its operation, reduced administrative costs and fast decision-making processes.
4	A.4. The majority of the members of the Board of Directors should not hold executive positions. At least a member of the Board of Directors or Supervisory Board must be independent in the case of companies from the Standard Category. In the case of companies from the Premium	YES	The company is included in the Standard Category. A member of the Board of Directors is an independent non-executive director.

	Category, no less than two non-executive members of the Board of Directors or Supervisory Board must be independent.		
5	A.5. Other professional and relatively permanent commitments and obligations of a member of the Board, including executive and non-executive positions in the Board of some non-profit companies and institutions must be disclosed to the shareholders and potential investors before appointment and during the term of office.	YES	
6	A.6. Any member of the Board must inform the Board about any relationship with a shareholder who holds directly or indirectly shares representing over 5% of all voting rights. This obligation refers to any kind of relationship which may affect the position of the member concerning matters decided by the Board.	YES	
7	A.7. The company must appoint a secretary to the Board responsible to support the Board's activity.	YES	
8	A.8. The Corporate Governance Statement will inform if an assessment of the Board was carried out under the President's management or the appointment committee and if so, it will summarise the key measures and changes following such assessment. The company must have a policy/guide on the assessment of the Board including the purpose, criteria and frequency of the assessment process.	NO	The principles for the assessment of the Board's activity are under implementation.
9	A.9. The Corporate Governance Statement must contain information on the number of Board and committee meetings during the last year, attendance of directors (in person and in absence) and a report of the Board and committees on their activity.	YES	This information is included in the annual report.
10	A.10. The Corporate Governance Statement must include information on the exact number of independent members in the Board of Directors or Supervisory Board.	YES	This information is included in the annual report.
11	A.11. The Board of companies from the Premium Category must set up	NO	Not applicable since the company is listed in the Standard

	an appointment committee made up of non-executive members, which will be in charge with the appointment procedure for new Board members and will make recommendations to the Board. The majority of the appointment committee members must be independent.		Category.
12	B.1 The Board must set up an audit committee in which at least one member must be an independent non-executive director. The majority of the members, including the president must have proven that they are adequately qualified for the positions and responsibilities of the board. At least one member of the audit committee must have adequate and proven experience in audit or accounting. In case of companies from the Premium Category, the audit committee must be made up of at least three members and the majority of the members must be independent.	YES	
13	B.2. The president of the audit committee must be an independent non-executive member.	YES	
14	B.3. As part of its responsibilities, the audit committee must conduct an annual assessment of the internal control system.	YES	
15	B.4. The assessment must take into consideration the efficiency and coverage of the internal audit function, the adequacy of the risk management and internal control reports presented to the audit committee of the Board, the timeliness and efficiency with which the executive management solves the deficiencies or weaknesses identified following the internal control and the presentation of relevant reports to the Board.	YES	
16	B.5. The audit committee must assess the conflicts of interest related to the transactions of the company and its subsidiaries with related parties.	YES	
17	B.6. The audit committee must assess the efficiency of the internal control system and of the risk management system.	YES	
18	B.7. The audit committee must monitor the application of legal standards	YES	

	and the generally accepted internal auditing standards. The audit committee must receive and assess the reports of the internal audit team.		
19	B.8. Whenever the Code mentions reports and reviews initiated by the Board of Auditors, these must be followed by periodic (at least annually) or ad-hoc reports which must be submitted subsequently to the Board.	YES	
20	B.8. Whenever the Code mentions reports and reviews initiated by the Board of Auditors, these must be followed by periodic (at least annually) or ad-hoc reports which must be submitted subsequently to the Board.	YES	
21	B.9. No shareholder can be granted preferential treatment against other shareholders in relation to transactions and agreements concluded by the company with shareholders and their related parties.	NO	The policy on transactions with related persons is being drafted and disseminated.
22	B.10. The Board must put in place a policy to ensure that every transaction of the company with any of the companies with which it has close relations and whose value is equal to or greater than 5% of the company's net assets (according to the last financial report) is approved by the Board following a compulsory opinion of the audit committee of the Board and duly disclosed to the shareholders and potential investors, as long as these transactions are included in the category of events subject to reporting.	NO	The policy on transactions with related persons is being drafted and disseminated.
23	B.11. Internal audits must be carried out by a structurally separate division (internal audit department) within the company or by hiring an independent third party entity.	YES	The company hired an independent third party entity.
24	B.12. In order to ensure the fulfillment of its main duties, the internal audit department must report functionally to the Board, through the audit committee. For administrative purposes and as part of the management responsibilities to monitor and reduce risks, it must report directly to the general manager.	YES	
25	C.1. The company must publish the compensation policy on its website and include in the annual report a statement on the implementation of the compensation policy during the annual period	NO	The compensation policy is the Board of Directors' duty. A document which will formalise the remuneration policy is currently being drafted.

	subject to analysis.		
26	D.1. The company must organise a service for Investor Relations – indicating to the public at large the responsible person/ persons or the organisational unit. Apart from the information imposed by legal provisions, the company must include on its website a section dedicated to Investor Relations in Romanian and English, containing all the relevant information of interest for investors, including:	YES	The company has integrated a service for Investor Relations. Moreover, the company's website includes a Corporate Governance-dedicated section, which is currently being updated, in compliance with the Provisions of the New Corporate Governance Code.
27	D.1.1. Main corporate regulations: articles of incorporation, procedures on General Meeting of Shareholders;	YES	
28	D.1.2. The professional CVs of the members of the company's management bodies other professional commitments of the Board members, including executive and non-executive positions in the board of directors in companies or non-profit institutions;	NO	The professional CVs of the members of the company's management bodies are presented in the Annual report and will be published on the company's webpage.
29	D.1.3. The current reports and the periodic reports (quarterly, bi-annual and annual) – at least those provided under point D.8 – including current reports with detailed information about any incompliance with this Code;	YES	
30			
31	D.1.4. Information related to the general meeting of shareholders: the agenda and the information materials; procedure for electing the Board members; arguments supporting the proposals for candidates to be elected in the Board, together with their professional CVs; shareholders' questions about the points on the agenda and the company's answers, including the adopted decisions.	YES	
32	D.1.5. Information about corporate events such as payment of dividends and other distributions to shareholders or other events leading to the acquirement or limitation of a shareholder's rights, including deadlines and principles applied to these operations. Such information will be published within a term allowing investors to adopt	YES	

	investment decisions;		
33	D.1.6. Name and contact details of a person who will provide, upon request, relevant information;	YES	
34	D.1.7. The company's presentations (e.g. presentations for investors, presentations on quarterly results etc.), financial statements (quarterly, bi-annual, annual), audit reports and annual reports.	YES	
35	D.2. The company will put in place a policy on the annual distribution of dividends or other shareholder benefits, proposed by the General Manager or the Managing Board and adopted by the Board, in the form of a set of guidelines for the distribution of net profit, to be followed by the company. The principles of the annual shareholder distribution policy will be published on the company's website.	NO	The company's profit distribution policy is established yearly by the General Meeting of Shareholders. Currently a policy on the net profit distribution is being drafted, following to be submitted to the General Meeting of Shareholders for approval.
36	D.3. The company will adopt a policy on forecasts, whether these will be made public or not. The forecasts refer to the quantified conclusions of certain studies which are aimed at establishing the global impact of a number of factors on a future period (the so-called assumptions): by its nature, a forecast has a high level of uncertainty, the actual results may vary significantly from the forecasts presented initially. The policy on forecasts will establish the frequency, the period covered and the content of the forecasts. If published, the forecasts may be included only in the annual, bi-annual and quarterly reports. The policy on forecasts will be published on the company's website.	NO	At the moment the company hasn't put in place a policy on forecasts. We are working on the general principles and factors to be taken into consideration when establishing the future policies on forecasts.
37	D.4. The regulations of the General Meeting of Shareholders must not limit the participation of shareholders in the General Meetings of Shareholders and exercising their rights. The amendment of the regulations will enter into force starting from the next meeting of the shareholders at the earliest.	YES	The rules related to the General Meeting of Shareholders are set out in the articles of incorporation and published in each notice to attend. Such rules are in line with the legislation in force.
38	D.5. The external auditors will attend the General Meeting of Shareholders when their reports are presented within these	YES	

	meetings.		
39	D.6. The Board will present to the Annual General Meeting of Shareholders a short assessment of the internal control system and of the significant risk management systems, as well as opinions on matters subject to the decision of the General Meeting of Shareholders.	YES	
40	D.7. Any specialist, consultant, expert or financial analyst may participate in the General Meeting of Shareholders based on a prior invitation from the Board. Licensed journalists may also participate in the General Meeting of Shareholders unless the Chairman of the Board decides otherwise.	YES	
41	D.8. Quarterly and bi-annual financial reports will include information both in Romanian and English related to key factors which influence changes in sales, operating income, net income and other relevant financial indicators, both from one quarter to another and from one year to the other.	YES	
42	D.9. A company should organise at least two meetings/teleconferences with analysts and investors every year. The information presented on these occasions will be published in the section dedicated to Investors Relation on the company's website on the date of the meetings/teleconferences.	YES	According to the company's financial calendar for 2018, it has established meetings with analysts and investors.
43	D.10. Where a company supports various forms of artistic and cultural expression, sporting events, educational or scientific activities and considers that their impact on the innovative character and competitiveness of the company are part of its development mission and strategy, it will publish its business policy in this area.	NO	The company considers to engage more actively in the cultural and artistic life of the community, and to support social programs ran by various humanitarian organisations.

BOARD OF DIRECTORS

CHAIRMAN	TIMOFTE MIRCEA
MEMBER	TIMOFTE ANDREI
MEMBER	LEGEAN VIOREL

CONSOLIDATED ANNUAL REPORT
FOR THE FINANCIAL YEAR 2017

According to Regulation 1/2006 issued by the Romanian National Securities Commission

Reporting entity:

The company group comprises of:

Transilvania Constructii SA, acting as parent company of the group, with the following identification data:

- The company's registered office is located in Cluj-Napoca, 47 Taietura Turcului Street, 3rd Floor, Cluj county, tax ID RO 199044, registration number with the Trade Register J12/8/1991.
The company's object of activity, recorded at Cluj Trade Registry Office, is the construction of residential and non-residential buildings.
The company's income is obtained, however, from the renting and sub-renting of own or leased real estate.
Transilvania Constructii controls the following companies:

-Novis Plaza SRL, a company established in 2015, having the registered office in Cluj Napoca, Taietura Turcului street, no. 47, Cluj county, tax ID RO 35226850, registration number with the Trade Register J12/3454/2015. The share capital amounts a total of RON 1,448,200, consisting of 20 shares, with a nominal value of RON 10. The share capital is 95%, owned by Transilvania Constructions, and 5%, by Mr. Timofte Andrei Iancu. Transilvania Constructii was a founding member of the Company, participating in its foundation.
The company's object of activity, recorded at Cluj Trade Registry Office, is the renting and sub-renting of own or leased real estate.

-***Melisa Prod SRL***, a company established in 2005, having the registered office in Cluj Napoca, Orastiei street, no. 10, Cluj county, tax ID 17597400, registration number with the Trade Register J12/1857/2005. The share capital amounts a total of RON 103,635, consisting of 20 shares, with a nominal value of RON 5,181.75. The share capital is 95%, owned by Transilvania Constructions, and 5%, by Mr. Timofte Andrei Iancu. Transilvania Constructii was a founding member of the Company, participating in its foundation.
The company's object of activity, recorded at the Trade Registry Office, other food service activities n.e.c.

-ABC Facility Management SRL, a company established in 2015, having the registered office in Cluj Napoca, Orastiei street, no. 10, Cluj county, tax ID RO 35226834, registration number with the Trade Register J12/3452/2015. The share capital amounts a total of RON 200, consisting of 20 shares, with a nominal value of RON 10. The share capital is 95%, owned by Transilvania Constructions, and 5%, by Mr. Timofte Andrei Iancu. Transilvania Constructii was a founding member of the Company, participating in its foundation.
The company's object of activity, recorded at Cluj Trade Registry Office, is the renting and sub-renting of own or leased real estate.

The parent company of the group, namely **TRANSILVANIA CONSTRUCTII SA**, presents the following features of the share capital and of the shares:

Subscribed and paid up capital: RON 26,391,783:
Regulated market where the issued securities are admitted to trading: Bucharest Stock Exchange, standard category;

Main characteristics of the securities issued by the company:

SC Transilvania Constructii SA is a listed company and its shares are admitted to trading on Bucharest Stock Exchange, standard category, with the trading symbol COTR. The Register of Shareholders is kept by Depozitarul Central SA Bucharest.

The company's share capital is of RON 26,391,783.

The capital is divided into 799,751 ordinary shares, with a nominal value of RON 33/share;

During the financial year 2017, there have been no value changes in the company's share capital.

As follows, the reference to the **Group**, respectively the reporting entity will designate the group of companies consisting of:
-Transilvania Constructii, acting as parent company;
-Novis Plaza, company controlled by Transilvania Constructii (affiliated company);
-Melisa Prod, company controlled by Transilvania Constructii (affiliated company);
-ABC Facility Mnagement, company controlled by Transilvania Constructii (affiliated company);

1. Analysis of the group's activity:

1.1.a) Description of the company's basic activity:

The parent company's main object of activity, registered with Cluj Trade Registry Office is "Construction of residential and non-residential buildings "-NACE code 4120.
In 2017, the group has obtained revenues from the rental of logistic premises comprising Transilvania Logistic Park, as well as from the logistic premises constituting TRC Park Cluj.
As of 2017, the group has been generating revenue from the lease of office buildings Novis Plaza-building A, located in the industrial park TETAROM I Cluj Napoca.

Therefore, the main activity actually carried out by the company is the 'renting and sub-renting of own or leased real estate', NACE code 6820.

The company's Construction & Assembly Department ensured in 2017 the activity of General Entrepreneurship for the investment programme carried out by the group, as well as the activity of maintenance at Transilvania Logistic Park.

The Group intends–as a development strategy– to extend the Logistic Park by developing new leasable areas.Starting with 2018, the group will develop logistic parks in other localities in the country, and, in the future, it will become a national player.
Also, starting with 2017, the Group initiated a new business line entering the office premises market. The Company's development strategy as well as the projects that are going to be implemented during 2018 are presented in the report in point 1.9.

b) Date of establishment of the parent company: November 30th, 1990, based on Decision no. 54 of Cluj County Prefect's Office, through the reorganisation of TRCL Cluj.

Duration: unlimited.

c) During the financial year 2017, there were no reorganizations within the group

d) Purchase and disposal of assets:

As in the previous years, in 2017 the group conducted an important investment program consisting

TRANSILVANIA CONSTRUCȚII SA
C.I.F: RO199044
Nr. ord. reg.com./an: J12/8/1991
IBAN: RO13 CECE CJ01 I5RO N055 8518
CEC Bank Cluj
Capital Social: 26 391 783 RON
Str. Tăietura Turcului nr. 47, Etaj 3, Cluj-Napoca
Tel: 0264-416597
Fax: 0264-592229
office@transilvaniaconstructii.ro

both of acquisition and construction of new fixed assets, as well as modernisation of the existing ones, resulting mainly in the following categories of fixed assets:

Asset type	Asset name	Value-RON	Operation
Real estate asset	Warehouse - Building C1 - Jucu	8,340,685	increase in value
Real estate asset	Concrete Platform - Jucu	1,211,976	increase in value
Real estate asset	Warehouse - Building C2 - Jucu	4,766,339	new investment
Real estate asset	Land 13,120 sqm. -Orastiei street, no. 10	4,977,400	new investment
Real estate asset	Land 607.53 sqm. -Orastiei street, no. 10	230,190	new investment
Real estate asset	Lan Orastiei street, no. 10 - 918.98 sqm.	112,266	new investment
Real estate asset	Warehouse improvement works in PLT	3,932,622	increase in value
Real estate asset	Rehabilitation of the PLT infrastructure	6,304,391	increase in value
Constructions	Repair of the multi purpose gym	56,539	increase in value
Real estate asset	Ramp warehouse 607.54 sqm.	535,510	new investment
Real estate asset	Football field - Transilvania Sports Club -3	170,760	new investment
Real estate asset	Football field - Transilvania Sports Club -4	170,760	new investment
Real estate asset	Football field - Transilvania Sports Club -5	170,760	new investment
Real estate asset	C1 warehouse - 1,709.9 sqm, 10 Orastiei Street.	412,118	new investment
Real estate asset	C2 warehouse - 2,571.52 sqm, 10 Orastiei Street.	1,239,434	new investment
Real estate asset	C5 shed - 64 sqm., 10 Orastiei Street.	10,806	new investment
Real estate asset	Railway - 849.13 - 10 Orastiei Street.	10,531	new investment
Equipment and machines	IT equipment	18,740	new investment
Equipment and machines	Vehicle	804,878	new investment
Equipment and machines	Vehicle	171,644	finance lease
Equipment and machines	Equipment for Jucu warehouse	1,409,745	new investment
Equipment and machines	Registered office improvement	148,667	new investment
Computer programs	Charisma ERP license	78,423	new investment
Total General assets procurement		**35,285,184**	

On December 31st, 2017, the structure of the investments in progress was the following:

Investment type in progress	Name	Value-RON
Real estate asset	Calan Industrial Park Works	36,969
Real estate asset	PLT warehouse improvement	625,254
Real estate asset	Novis Plaza Building	8,010,529
Total General On-going Investments		**8,672,752**

The most important investments were the investment properties consisting of:

- completion of Stage 1 development for TRC PARK Logistic Park in Cluj, located in TETAROM 1 Jucu Industrial Park. This investment has been completed by long-term investment bank loan, as well as from the company’s own sources.

- continuing the sewage networks restoration and road repair program in Transilvania Logistic Park, investment financed fully with bank loan.
The total value of this program is EUR 1,078,129. In 2017 the company carried out works to repair sewerage networks, as well as road repair works in the logistic park.
-purchase of a land and of several real estate properties, amounting a total surface of approx. 13,120 sqm., located in Cluj Napoca Municipality, 10, Orastiei, street. The land was purchased for purposes of expanding Transilvania Logistic Park;
-purchase of a land and of several real estate properties, amounting a total surface of approx. 607 sqm., located in Cluj Napoca Municipality, 10, Orastiei, street. The land was purchased for purposes of expanding Transilvania Logistic Park;
-works for completion and improvement of the office building Novis Plaza, building A, located in Cluj Napoca, 47, Taietura Turcului street (within TETAROM I Industrial Park).
- Further on, investments were made in the development of logistic premises, according to the tenant specifications.

The company discarded a series of assets which were deemed physically and morally worn out and which ceased to generate economic benefits for the company. The inventory value of such assets was RON 42,481, and were fully depreciated at the time of discarding.

e) Main results of the assessment of the group's activity

1.1.1 General assessment items:

b) Earnings:

In 2017, the net loss of the group was RON 1,407,276.

Structure of net loss:

Gross profit of operating activities:	Ron	4,979,461;
Financial profit/loss:	Ron	- 6,256,009;
Gross profit/loss:	Ron	-1,276,548:
Income tax	Ron	130,728;
Net income	Ron	-1,407,276.

b) Turnover: Ron 25,435,589, decreasing by 25%, as compared to 2016, when it was Ron 20,363,813

c) Export: The Group did not carry out export activities in 2017;

d) Costs:

The analysis of the operating profit/loss is presented in the table below:

Item	2017	2016
Income from turnover	25,435,589	20,363,813
Other operating income	615,501	423,829
Changes in inventories of finished goods and work in progress	-96,556	-144,641
Total operating income	**25,954,534**	**20,643,001**
Operating expenses		
Expenses with raw materials and consumables	3,448,178	2,858,083

Expenses related to services provided by third parties	4,297,540	3,090,463
Personnel related expenses	1,998,769	1,578,356
Amortisation and depreciation expenses	10,376,579	8,923,694
Provision expenses	0	-43,705
Goods-related expenses	128,880	110,602
Other operating expenses	725,127	-272,050
Total operating expenses	**20,975,073**	**16,245,443**
Operating income	**4,979,461**	**4,397,558**

e) **Market share:**

The company owns the largest private logistic park in the city, Transilvania Logistic Park, where multinational companies carry out their activity with national level representation.

As of 2016, the company commenced the development strategy of this activity. In 2017, the first stage of the TRC Park Cluj Logistic Park, located in TETAROM III Jucu, has been completed, and the 2nd stage shall commence in 2018.

With a total surface of approximately 119,500 sqm. of warehouses, the company is the leading player on the industrial premises market in Cluj-Napoca and the surrounding area.

As far as the lease of premises concerns, at this moment the company has a firm position in the market as it was the first company which offered to the local business market a proper logistic park.

The company is constantly concerned to strengthen the position it holds on the local logistic market. In this sense, the logistic park is constantly modernised and extended, the company's strategy is to strengthen the relations with traditional customers, multinational companies with whom it has long-term business relations with. Over time, the quality of services provided to customers has steadily increased, this having a positive impact in terms of client portfolio consisting of partners with solid financial position and good reputation.

The company's long-term strategy is to extend to national level through the development of logistic parks in other localities. Moreover, as of 2017, the company also accessed the market of office premises, by operating the office building Novis Plaza, building A, located in Cluj Napoca, within the industrial park TETAROM I.

f) Liquidity: At the end of 2017, the funds available in the company's accounts were of RON 7,476,633.

RON This amount covered all the group's liabilities falling due.

1.1.2 Assessment of the group's technical level

Our company is active on the local market in Cluj-Napoca,

The group's income is generated prevailingly by the lease of industrial premises. The company's Construction and Assembly Department was in charge of the general entrepreneurship for the investments carried out by the company as well as the maintenance of Transilvania Logistic Park.

The locations of the industrial premises operated by the company are the following:

- Transilvania Logistic Park is located in Cluj Napoca, 10, Orastiei street. The park comprises 38 warehouses, 1 shed, 2 administrative buildings, 2 halls.

The land on which the logistic park lies is owned by the company, and has a surface area of 185,707 sqm, of which the company owns 177,228.91 sqm and 8,478.09 sqm in undivided share.

The surface area of the properties which comprise the Transilvania Logistic Park are presented below:

Category of real estate asset	**Total surface - sqm**
Warehouses - 38 units	81,368.81
administrative buildings - 2 units	608.82
Halls - 2 units	3,480.37
Shed - 1 unit	1,948.23
Total area of real estate assets	**87,406.23**

- TRC PARK Cluj Logistic Park is located in Jucu Commune, Cluj County, in the TETAROM III industrial park. The park comprises a 2 warehouses (10 modules), with a total surface of 32,078 sqm. The land on which the logistic park lies is owned by TETAROM SA, and our company has a superficies right over it for 99 years. The land has a surface area of 107,353 sqm.
In addition to the 107,353 sqm., on December 31st, 2017 the company held a superficies right over 251,701 sqm. of land, located in the same place and under the same conditions.

- on 47, Taietura Turcului street, Cluj Napoca, the group owned an office building comprising of 2 buildings (basement+ground floor+3 floors, namely basement+ground floor+7 floors). The total rentable area of the real estate is approx. 16,500 sqm. Building A of this real estate (basement+ground floor+3 floors) has been commissioned at the beginning of 2017.

The land on which the logistic park lies is owned by TETAROM SA, and the group has a superficies right over it for 99 years. The land has a surface area of 10,870 sqm.

At the end of the financial year 2017, the company assessed the market value of the assets which compose Transilvania Logistic Park, and those of TRC Park Cluj Logistic Park. The valuation was conducted in-house and not by an independent appraiser, member of ANEVAR. The internal appraisal process employed valuation standards published by ANEVAR, other specialized publications, and internal statistical date, using the income capitalization method.

The results of the company's business segments are presented below:

No.	**Logistic Park**	**Fair value - EUR**
1	Transilvania Logistic Park	40,300,000
2	TRC Park Cluj	14,500,000
	Total	**54,800,000**

The company did not report the results of such appraisal in its accounting records.

An analysis of the turnover by activities is presented in the table below:

Activity	2015		2016		2017	
	Amount-Ron	%	Amount-Ron	%	Amount-Ron	%
Transilvania Logistic Park	17,412,275	81.48%	19,220,885	94.39%	20,091,346	78.99%
TRC Park Cluj	0	0.00%	90,681	0.45%	3,888,624	15.29%
Novis Plaza	0	0.00%	0	0.00%	359,638	1.41%
Other activities	3,957,032	18.52%	1,052,247	5.17%	1,095,981	4.31%
Total General	**21,369,307**	**100%**	**20,363,813**	**100%**	**25,435,589**	**100%**

In 2017, the lease of industrial premises accounted for approximately 94% of the turnover.
In the future, the group will focus on the lease of logistic premises, by construction of new logistic parks both in Cluj-Napoca and elsewhere.

1.1.3 The group's procurement activities:

The group has a separate procurement department.

The company implemented clear procurement procedures both in terms of materials and services. The procurements are provided only by approved suppliers, through selection of offers, falling under the approved budgets. Periodically, the internal control checks the observance of procurement procedures.

1.1.4. Assessment of sale activity

b) As mentioned in the previous points, the Group operates only locally. The evolution of sales by business segment is presented in the table above.

In 2017, as in the previous year, the turnover resulted from the lease of premises.
The main real estate assets managed by the company are listed at item 1.1.2.

Concerning the lease of premises in Transilvania Logistic Park, in 2017, the group carried out a series of investments meant to increase the portfolio of contracts. The most important investments made were the following:
- continuing the sewage networks restoration and road repair program in Transilvania Logistic Park, investment financed fully with bank loan.
The total value of this program is EUR 1,078,129. In 2017 the company carried out works to repair sewerage networks, as well as road repair works in the logistic park.
-purchase of a land and of several real estate properties, amounting a total surface of approx. 13,120 sqm., located in Cluj Napoca Municipality, 10, Orastiei, street. The land was purchased for purposes of expanding Transilvania Logistic Park;
-purchase of a land and of several real estate properties, amounting a total surface of approx. 607 sqm., located in Cluj Napoca Municipality, 10, Orastiei, street. The land was purchased for purposes of expanding Transilvania Logistic Park;
- Further on, investments were made in the development of logistic premises, according to the tenant specifications.

As regards the Logistic park TRC Park Cluj, in 2017, the company built approximately 14,000 sqm.,

thus reaching 32,000 sqm. of warehouses. During the following interval, the company shall commence the 2nd stage of development for this logistic park.
In 2017, the group commissioned its first office building (building A - basement+ground floor+3 floors) within the complex Nova Plaza, thus entering the office market in Cluj Napoca Municipality.

The company earns income also from the management of Transilvania Sports Centre.
This sports centre has 9 tennis fields, 5 synthetic football fields, one football field with natural grass, one polyvalent sports hall as well as a restaurant.
In 2017 the turnover earned from this activity was of RON 997,819.
The activity in this segment is constantly developing as it results from the evolution of income generated by the sports center which in the last 3 years had an upward movement.
In 2017, the group built 3 football fields with synthetic grass, fitted with night lights.
The Group permanently developed and diversified the activity in this location through the organisation of sport tournaments and corporate events.

b) The group’s main competitors on the local market:

- concerning the activity of lease of business premises and offices:
Tetarom Logistic Parks, as well as the individual warehouses which operate in Floresti, Gilau, as well as on the former industrial sites of the city (especially those located in Bulevardul Muncii).
Moreover, as of 2016, the market was penetrated by developers with international representation.
The office market in Cluj Napoca is in full growth, with major active players. In recent years, thousands of office space sqm. have been delivered to the market each year, as the demand has been rising, including in 2017.
The company owns class A office space, and is part of the market segment that offers superior quality spaces.

c) The group’s income does not depend on a single client; the group has a diversified client portfolio in terms of activity related to the lease of warehouses.

The largest customer of Parcul Logistic represents approximately 8% of the total portfolio. Thus, the group is not vulnerable from this point of view, and does not depend on a single client.

1.1.5 Issues related to the group’s personnel

The employment relationship within the group was based on the Collective Bargaining Agreement registered with Cluj County General Directorate for Labour and Social Protection as well as on the Internal Regulations, appendix to the Collective Bargaining Agreement.
Some of the group’s employees are organised in a trade union.
In 2017 there were no labour disputes registered.
The pay system applied during the year was based on the provisions of the collective bargaining agreement, thus, the personnel directly or indirectly productive was paid accordingly, while the administrative staff according to time-based pay system.
On December 31st, 2017, the company’s executive management included:

Timofte Andrei Iancu – general manager
Barz Lucian - chief financial manager;

On December 31st, 2017, the structure of the personnel was the following:

- Executive management 2
- TESA personnel 21
- Other categories 15

The evolution of the total wage bill and of the average wage earned in 2017 compared to 2016 is the following:

Explanation	MU	2017	2016
Wage bill	RON	1,998,769	1,578,356
Average number of employees	RON	38	35
Monthly average cost/employee	RON	4,383	3,758

In 2017 the number of employees did not suffer significant changes compared to the previous year.

1.1.6 The impact of activity on the environment:

The use of the Group's assets does not have a significant impact on the environment.
The group does not carry out polluting activity.

1.1.7 Assessment of research and development activity

The Group does not carry out research and development activities, neither with own resources, nor through third parties.

1.1.8 Risk management

The Group is exposed to the following risks arising from the use of financial instruments:

- credit risk;
- liquidity risk;
- market risk.

These notes present information concerning the exposure of the group to each of the risks mentioned above, objectives, policies and processes of the group for the measurement and management of risk and procedures used for capital management. Furthermore, other quantitative information is also included in these financial statements.
The Group's risk management policies are defined so as to ensure the identification and analysis of risks the Group faces, establishment of adequate limits and controls as well as monitoring of risks and compliance with the established limits. Risk management policies and systems are revised periodically to reflect the changes incurred in market conditions and in the Group's activities.

d) Credit risk

Credit risk is a risk that the Group will bear a financial loss as a result of the non-fulfillment of contractual obligations by a client or counterpart to a financial instrument and this risk mainly results from the Group's trade receivables.
The Group's exposure to credit risk is mainly influenced by the individual characteristics of each client.

The management established a credit policy under which each new client is separately analysed in terms of creditworthiness before the Group's standard payment and delivery conditions are offered. For each client in part there are established purchase limits. Clients that do not meet the conditions established by the Group can make transactions only with advance payment.

Goods are sold with retention of title clause, so that in case of non-payment the Group benefits from a guarantee for the amounts claimed. The Group does not require collateral securities for trade and other receivables. In some case the Group requires cheque notes, payment orders or letters of bank guarantee. In case of leases for premises the rental is charged in advance, as well as a warranty, agreed to the amount of one, two or three rents.

e) Liquidity risk

Liquidity risk is the risk that the Group would face difficulties in fulfilling obligations related to financial liabilities that are settled in cash or by the transfer of another financial asset. The Group's approach to liquidity risk is to ensure, as far as possible, that it holds sufficient liquidities at any time to settle debts when these come to maturity, both under normal conditions and under stress, without incurring inacceptable loss or endanger the Company's reputation.

The Group checks the clients' financial situation both at the conclusion of contracts and during the performance of contracts to protect itself in case the clients' financial situation deteriorates and the non-payment risk occurs. Further on, clients leasing premises in Transilvania Logistic Park are required both to pay guarantees and to pay the rental in advance according to the trade customs practiced in lease market.

f) Market risk

Market risk is a risk that market price variations such as exchange rate, interest rate and price of equity instruments would affect the Group's income or the value of the financial instruments held. The objective of market risk management is to manage and control the exposures to market risk within acceptable parameters and at the same time to optimise the cost-effectiveness of the investment.

Interest rate risk

The Group is concerned with the monitoring of interest variations on international markets (especially EURIBOR) in order to be able to react promptly in case the unsatisfactory development of indicators in terms of which the interests paid by the Group are calculated would have unsatisfactory effects on the Group.

The Group is permanently concerned with optimising the payable service, permanently negotiating with banks to decrease interest and to correlate bank rates to the income level.

Currency risk

The Group is exposed to currency risk due to sales, purchases and other loans which are expressed in a currency other than the functional currency, primarily Euro.

The Group has credit contracts and other financing in Euro.

For protection against the increase of exchange rate, the leases for premises are concluded in Euro, with settling at the sell exchange rates communicated by CEC Bank SA. In this way, the Group has got ensured the income in the currency in which it repays credits.

Tax risk

Starting from January 1st, 2007, as a result of Romania's accession to the European Union, the Group had to be subjected to the tax regulations of the European Union and to implement the changes in the European legislation. The way in which the Group implemented these changes remains open to tax audit for five years.

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The interpretation of text and practical implementation of procedures of new EU tax regulations entered into force may vary and there is a risk that certain transactions, for instance, will be perceived differently by the tax authorities compared to the Group's approach.
Moreover, the Government of Romania has a great number of authorised agencies to carry out the audit of companies operating in Romania. These audits are similar to tax audits from other countries and can cover not only tax issues but also other legal and regulation issues that are of interest for these agencies. It is likely that the Group may be subject to tax audits as new tax regulations are issued.

Business environment

The process of risk revaluation developed in the period 2007-2010 on the international financial markets significantly affected the performance of these markets including the financial market in Romania and led to the emergence of an increasing uncertainty concerning the future economic development.
These uncertainties have disappeared, for the moment, although, the performance of financial markets, as well as of national economies, has significantly improved in the last years.
The global credit and liquidity crisis which started in the middle of 2007 determined, among others, a low level and difficult access to capital market funds, a low level of liquidity of the entire bank sector in Romania and increased levels of rates to interbank loans. Significant losses incurred in the international financial market could affect the Group's ability to obtain new loans and to refinance loans which it already has under terms and conditions related to the previous transactions.
The establishment of conformity to loan contracts and other contract obligations as well as the assessment of significant uncertainties constitute new challenges for the Group.
The Group's debtors can be as well affected by low liquidity which could affect their ability to reimburse the outstanding debts. The deterioration of financial conditions under which the debtors carry out their activity could as well have an impact on the management of cash flow forecasts and on the assessment of financial and non-financial asset impairment. As far as the information is available, the management included in its impairment policy revised estimations of future cash flows.
Fears that the deterioration of financial conditions could contribute in future to the deterioration of trust determined certain joint efforts from governments and central banks to adopt certain measures which would counteract the vicious circle of increase in risk aversion and to help minimise the effects of the financial crisis and, ultimately, to reinstore the functioning of market under normal conditions.
The management cannot forecast all events that could have an impact on the financial sector in Romania and, therefore, what effects would have on these financial statements, if the case may be.
The management cannot estimate reliably the effects on the Group's financial statements of any future decrease in liquidities of the financial markets, impairment of financial assets influenced by weak liquidity of credit market and increase of currency volatility and stock markets. The management considers that it takes all necessary measures to support the sustainability and growth of the Group's business under the current conditions through:

- constant monitoring of liquidity;
- carrying out short-term forecasts on net liquidity;
- monitoring inflow and outflow of cash flow (daily), assessment of effects on debtors of the limited access to financing and growth of businesses in Romania.

Risk factors specific to lease of premises and specific to property development activities and that the Group could face would be the following:

Competition.

In the last years the Group oriented towards the development of new activities to have more income sources and to protect itself against market risk. Thus, the group developed a real estate project and developed the activity at Transilvania Logistic Park.

The Group's future strategy is to focus on these activities, which have proven to be efficient even in the time of crisis.

Concerning the rental of premises, currently the group has a solid position in the market as it was the first company to offer the local market of the business a proper logistic park. The group is always concerned to strengthen the position it holds in the local market of logistic premises. In this sense, the logistic park is constantly modernised and extended, the Group's strategy is to strengthen the relations with traditional customers, multinational companies with whom it has long-term business relations with. Over time, the quality of services provided to customers has steadily increased, this having a positive impact in terms of client portfolio consisting of partners with solid financial position and good reputation.

The Group's good reputation had a positive impact and regarding residential development activity, ensuring a steady and sustained pace of sales.

As of 2016, the group has implemented an expansion program through the development of new logistic parks both in Cluj county and in other places in the country. The first new logistic park (TRC PARK Cluj) started to be developed in TETAROM III Industrial Park. The first stage of this project was completed in late 2017. The company intends to commence the second development stage in 2018.

Furthermore, the group will enter the local market of office buildings through the purchase and completion of two office buildings TETAROM I Industrial park-Taietura Turcului. Within this project, as well, the first stage (an office building as basement+ground floor+3 floors) has been commissioned at the beginning of 2017.

1.1.9 Perspectives on the group's activity

d) **The Group does not face substantially uncertainty factors which could affect the group's liquidity in the future.** However, due to the circumstances created by the economic crisis, the group will develop a business plan based on thorough analysis of potential clients that would have themselves uncontested cash.

e) In 2016 and 2017, the company made the following investments:

Name of asset category	**Investments-Ron**	
	2017	**2016**
Computer programs	78,423	22,319
Land	5,319,856	1,017,911
Accepted buildings	27,333,231	50,649,429
Buildings-under construction	4,495,783	5,639,729
Means of transport, machines	2,399,565	2,944,789
IT equipment and furniture	449,614	39,499
Total investments	**40,076,472**	**60,313,676**

The investments made by the group do not have a negative effect on its cash flow as the investments are financed at an extent of at least 85% from bank loans or financial leasing accessed by the group. The installments related to these loans are matched with the incomes generated by these investments so that the net effect on cash flow is positive.

f) The group earns income from the following (basic) activities:

Activity	2016		2017	
	Amount-Ron	%	Amount-Ron	%
Transilvania Logistic Park	19,220,885	94.39%	20,091,346	78.99%
TRC Park Cluj	90,681	0.45%	3,888,624	15.29%
Novis Plaza	0	0.00%	359,638	1.41%
Other activities	1,052,247	5.17%	1,095,981	4.31%
Total General	**20,363,813**	**100%**	**25,435,589**	**100%**

The Group estimates that in 2018, the activity will follow an upwards trend, without major changes concerning the main activities carried out.
In 2018, the group will continue implementing the development strategy by continuing construction works for TRC Park Cluj logistic park, located in TETAROM III Jucu. The 2nd development stage of TRC Park Cluj shall be initiated.
Moreover, in 2018, the group shall extend Transilvania Logistic Park by building new warehousing spaces.
The group shall start to operate also in another area of the country. In this regard, in 2018, it shall start construction of a logistic park outside Cluj Napoca.

According to the Income and Expenditure Budget, in 2018 the group aims at achieving a turnover of RON 42,557,284, a consolidated operating profit of RON 11,110,678 and a consolidated net profit of RON 3,918,748.
The turnover will mainly result from:

- Transilvania Logistic Park RON 22,986,824. The company estimates to obtain additional income compared to the previous year, both by additionally accepted premises in 2017, and by increase of rentals, increase possible due to the increase in the market of industrial premises especially in Cluj Napoca. Moreover, new industrial spaces shall be commissioned.
- TRC Park Cluj logistic park. The company estimates that in 2018 it will obtain income in the amount of Ron 16,975,111.
- Novis Plaza will generate income amouting to RON 1,202,479
- Sport centre: RON 1,195,000. The company estimates additional income compared to the previous year, through organising sports and corporate events (tennis, football tournaments, team-buildings). Also, additional revenue will be generated by the 3 soccer fields with synthetic grass, built in 2017.

2. The Group's tangible assets

Most of the group's tangible assets consist of real estate (land and buildings), which the group leases to third parties. Moreover, the group owns motor vehicles, equipment, IT components and furniture. The synthetic statement of tangible assets of the company shall be illustrated in the tables below:

- summary of the buildings and land owned by the group:

No.	Address	Land area	Constructions area	% constructions wear and tear	Ownership
1	Cluj Napoca, 10, Orastiei street - Transilvania Logistic Park	185,707	87,406	51%	the land and buildings are owned by the company
2	Jucu commune, Juc Herghelie village, 69B, Principala street	107,353	32,078	5%	the buildings are owned by the company; the land is the property of TETAROM SA, and the company has a superficies right for a period of 99 years
3	Cluj Napoca, 47 Taietura Turcului Street - Novis Plaza- office building	10,870	16,500	3%	the buildings are owned by the company; the land is the property of TETAROM SA, and the company has a superficies right for a period of 99 years
4	Cluj Napoca, 41, 1 Decembrie 1989 Avenue	52,600	16,480	75%	the buildings are owned by the company; the land is the property of the Romanian state and the company has an administration right
5	Bucharest, district 6, 411B, Calea Giulesi	6,529	0	0%	the land is owned by the company
	Total constructions and buildings	**363,059**	**152,464**		

Besides the land owned, at December 31st, 2017 the group controls the following real estate asset:
- land located in Jucu commune, Juc Herghelie village, 69B, Principala street (TETAROM III Jucu), with a total area of 251,701 sqm, the property of SC TETATOM SA. The group acquired a superficies right over this land for a period of 99 years.

On December 31st, 2017, parts of the land and constructions owned by the company are mortgaged in favour of CEC Bank SA:

-collaterals for credits for investments, in the amount of 24,596,096.08 EUR;
- collaterals for line of credit in the amount of Ron 4,500,000;
- collaterals for line of credit in the amount of Ron 9,000,000;
- collaterals for ceiling for the issuance of letters of bank guarantee in the amount of Ron 5,550,000.

The group also owns other categories of tangible assets, respectively:
- a car fleet comprised of 13 vehicles;
- equipment and machinery for the group's warehouses;
- IT equipment;
- furniture.

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Part of the vehicles were purchased under finance lease. The equipment and furniture are group property.

No.	Category of tangible assets	Net value - RON	% wear and tear
1	Equipment and machinery	4,171,926	28%
2	Vehicles	2,277,162	36%
3	IT equipment and furniture	613,795	45%
Total		**7,062,883**	

3. Securities market

The parent company's (Transilvania Constructii) shares are traded only on the Romanian market. SC Transilvania Constructii SA is a listed company; its shares are admitted to trading on the Bucharest Stock Exchange, standard category, with the trading symbol COTR. The Register of Shareholders is kept by Depozitarul Central SA Bucharest.

The reports to the capital market were made within the terms provided by the relevant legislation.

Dividend policy

The General Ordinary Meeting of Shareholders convenes at least once a year, no later than 4 months from the end of the financial year. Depending on the group's financial earnings, the shareholders will decide on the division of profit as dividends, if applicable, and in case of registration of loss, the shareholders will decide on the appropriate decrease or increase of the share capital.

The decisions of the General Ordinary Meeting of Shareholders must be submitted within 15 days from their adoption to the Trade Register Office for mention and will be published in the Official Journal of Romania, part IV.

The General Ordinary Meeting of Shareholders in which the distribution of dividends is adopted will establish as well a date, with at least 10 business days following the date of the shareholders' general meeting, which will be used to identify the shareholders who are going to benefit from the dividends. The dividends will be paid on the date set by the general meeting when the dividend is established, and the payment term for these will not exceed 6 months from the date of the general meeting of the shareholders' held to establish the dividends.

In the last 3 years the parent company paid the following dividends:

In 2015, the Company lost the litigation against SIF Banat Crisana, through which it challenged the decision of the General Meeting of Shareholders of March 11th, 2014, by which the shareholders decided to cancel the payment of dividends which had been approved by the Decision of the GMS of September 20th, 2013. The dividends approved during the meeting amounted to RON 945,803 (gross dividend per RON 1 share), taking into consideration the number of outstanding shares on September 20th, 2013).

In 2016 the company granted no dividends.

In 2017 the company paid the following dividends:
- according to the Decision of the Ordinary General Meeting of Shareholder as of August 10th, 2017, dividends amounting to RON 959,701, the gross dividend/share amounting to RON 1.2. The payment of dividends has been made as of September 19th, 2017;
- according to the Decision of the Ordinary General Meeting of Shareholder as of November 6th, 2017, dividends amounting to RON 1,319,589.15, the gross dividend/share amounting to RON 1.65. The payment of dividends has been made as of December 14th, 2017;

Group related companies
Invincible Real Estate, with the tax ID 35226842, with office in Cluj Napoca, 10, Orastiei Street; In 201, the company Invincible Real Estate, did not carry out any activity (turnover 0, profit 0, assets 0, debt 0). Furthermore, the company did not carry out any activity in 2016.
This company does not hold shares issued by SC Transilvania Constructii SA.
None of the companies constituting the group has issued bonds.

4. Group management
4.1 The parent company's (Transilvania Constructii) **administrative management** is provided by the Board of Directors with the following structure:

On December 31st, 2017

-Timofte Mircea- Chairman of the Board of Directors;
-Timofte Andrei Member of the Board of Directors and General Manager;
-Legean Viorel- Member of the Board of Directors

1. Timofte Mircea – Chairman of the Board of Directors –

He is member of the Board of Directors and its chairman. He is 63 years old and he is an engineer. He graduated from the Polytechnic Institute, Faculty of Electrotechnics, Cluj-Napoca. Between 1979-1985 and 1986-1987 Mr. Timofte worked as an engineer at Grup Santiere Cris-Somes. Between 1985 and 1986 he was an engineer at Carbochim S.A., while between 1988 and 1989 he held the same position at Cooperativa Potaisa Turda. From 1996 until October 2012 he was ~~GD~~eneral Manager of S.C. Brieta S.R.L Cluj-Napoca. Since April 14th, 1999 and until now he is director at S.C. Transilvania Constructii S.A. Cluj-Napoca. For the current mandate of the Chairman of the Board of Directors, Mr. Timofte Mircea was reelected at the General Ordinary Meeting of Shareholders of March 11th, 2014.
The expiry date of his mandate is March 11th, 2018.

Mr. Timofte Mircea has the following family relations with the other members of the administrative, managerial and supervisory bodies: - he is the father of Mr. Timofte Andrei Iancu, member of the Board of Directors and General Manager of the company; in the General Ordinary Meeting of Shareholders of March 11, 2014, where he was appointed Chairman of the Board of Directors, he acted together with Mr. Timofte Andrei Iancu, legal representative of S.C. Parc Logistic Transilvania S.R.L., the company which at that time owned a number of 578,737 shares, representing 61.91% of the company's share capital;

At the end of 2017 he owns 285,072 shares in the company, representing 35.65 % of the share

capital.
Mr. Timofte Mircea is a non-executive member of the Board of Directors.

2. Timofte Andrei Iancu – member of the Board of Directors and General Manager

He is a member of the Board of Directors. He is 31 years old and an economist. He graduated from the Faculty of Economics and Business Administration at Babes-Bolyai University in 2009. Between 2004 and 2006 he was an administrative employee at S.C. Brieta Ind. Com. S.R.L. Cluj-Napoca, and between December 1st, 2006 and May 1st, 2007 he held the position of economic officer at S.C. Transilvania Constructii S.A. Since July 1st, 2007 he is member of the Board of Directors.

Mr. Timofte Andrei Iancu currently holds as well the following management positions in other companies:

-sole shareholder of SC Melisa Prod SRL-company without activity;
- sole shareholder of SC ABC Facility Management SRL- company without activity;
- sole shareholder of SC Invicible Real Estate- company without activity;
- sole shareholder of SC Mega Property for Rent SRL;

The expiry date of his mandate is March 11th, 2018.
Mr. Timofte Andrei-Iancu is the son of Mr. Timofte Mircea.
At the Ordinary General Meeting of Shareholders on March 11, 2014, when he was appointed Member in the Board of Directors, he acted together with Mr. Timofte Mircea, who at that time owned a number of 285,072 shares, representing 30.14 % of the company’s share capital;
At the end of 2017 he owns a number of 461,635 shares, representing 57.72% of the share capital.
Mr. Timofte Andrei Iancu is an executive member of the Board of Directors.

3. Mr. Legean Viorel

He has been a member of the Board of Directors since September 13th, 2016.
He is 57 years old and a construction technician by profession.
He graduated from the Industrial High School no. 6 of Cluj-Napoca. In recent years he has completed various training courses.
Between 1979-1994, he worked at Trustul de Constructii Cluj, as lab operator. Between 1995- 2015, he worked at SC Transilvania Constructii SA, as Laboratory technician - Head of Laboratory Tests. As of 2015, he has been working at Betonexpres Industrial, as constructions technician - head of laboratory tests.
On December 31st, 2017, Mr. Legean Viorel owns no shares in the company.
There is no consent, arrangement or family relationship between Mr. Legean Viorel and another person.

Mr. Legean Viorel is an independent non-executive member of the Board of Directors.
The expiry date of his mandate is March 11th, 2018.
Starting from September 13th, 2016, Mr. Legean will perform the duties of the Audit Committee (will supervise the internal control activities, company’s internal audit, respectively).

4.2 The executive management consists of the Executive Committee, including:

- Timofte Andrei Iancu- General Manager;
- Barz Lucian - Financial Manager.

Mr. Timofte Andrei Iancu, who is also a member of the Board of Directors, owns a number of 461,635 shares representing 57.72% of the share capital.

4.2.b) Not applicable.
None of the persons mentioned above has been implicated in any litigation or administrative procedure related to their activity.

5. Financial and accounting statements

a) Presentation of balance sheet items

The statement of the group's assets and liabilities is as follows:
For the analysis of the company's financial performance status we will present the data included in the financial statements ended on December 31st, 2017, compared to the previous years.

Starting with the financial reporting for 2012, the company applies the Accounting regulations in compliance with the international financial reporting standards.
The financial statements for the financial year 2017 were prepared in accordance with the Order of the Ministry of Public Finance No. 2844/2016 of December 12th, 2016 for the approval of the Accounting regulations in line with the International Financial Reporting Standards

The main items related to the company's financial position are presented below:

RON

Item	2015	2016	2017
Intangible assets	8,166	21,293	81,761
Tangible assets	146,019,184	198,582,471	222,450,839
Financial assets	4,397,447	4,754,927	4,747,879
Total fixed assets	**150,424,797**	**203,358,691**	**227,280,479**
Inventories	481,575	345,171	315,871
Receivables	3,395,991	6,921,802	3,361,011
Available cash	3,703,250	4,140,983	7,476,633
Accrued expenses	11,391	31,162	8,549
Total non-current assets	**7,592,207**	**11,439,118**	**11,162,064**
TOTAL ASSETS	**158,017,004**	**214,797,809**	**238,442,543**
Share capital	26,391,783	26,391,783	26,391,783
Adjustment of share capital, acc. to IFRS	27,019,805	27,019,805	27,019,805
Reserves	4,318,042	6,606,336	6,883,710
Shareholders' equity	-104,544	-104,544	-104,544
Non-controlling interests	456	-4,382	-16,009

Retained earnings	31,155,100	32,417,125	28,537,062
Total shareholders' equity	**88,780,642**	**92,326,123**	**88,711,807**
Long-term liabilities	61,742,279	103,837,332	136,947,876
Short-term liabilities	7,494,083	18,634,354	12,782,860
Total liabilities	**69,236,362**	**122,471,686**	**149,730,736**
TOTAL LIABILITIES	**158,017,004**	**214,797,809**	**238,442,543**

B) <u>ANALYSIS OF ASSETS</u>

The total assets at the end of 2017 is higher by RON 23,921,788 compared to 2016.
The detailed analysis of the assets is presented below:

2. Fixed assets

Item name	Gross values			Net values		
	2016	2017	Differences (2017-2016)	2016	2017	Differences (2017-2016)
Intangible assets	**287,215**	**352,732**	**65,517**	**21,293**	**81,761**	**60,468**
Tangible assets	**262,178,735**	**295,976,614**	**33,797,879**	**198,582,471**	**222,450,839**	**23,868,368**
Land and land improvements	5,072,939	5,072,939	0	5,054,216	5,051,546	-2,670
Constructions	8,654,058	9,235,152	581,094	2,365,644	2,480,015	114,371
Technical inst., equipm., machines	8,006,157	9,586,456	1,580,299	5,562,964	6,449,090	886,126
Other tangible assets (office automation, furniture)	506,141	911,464	405,323	247,846	608,925	361,079
Investment properties	230,261,494	262,497,863	32,236,369	177,173,584	199,188,523	22,014,939
Investment properties in progress	9,677,946	8,672,740	-1,005,206	8,178,217	8,672,740	494,523
Financial assets	**4,754,927**	**4,747,879**	**-7,048**	**4,754,927**	**4,747,879**	**-7,048**
Total	**267,220,877**	**301,077,225**	**33,856,348**	**203,358,691**	**227,280,479**	**23,921,788**

As it can be seen in the table, the fixed assets increased in 2017 compared to 2016, both in terms of gross values and net values.

<u>1.1 Intangible assets</u>: the gross and net value of these assets increased, since in 2017 the company acquired a number of computer software to improve its information flows. The most important purchase was a license for an ERP (Charisma), designed to manage centralised all company processes.

<u>1.2 Tangible assets</u>:

Their value increased both as gross and net amounts since in 2017 the group executed and accepted the investments described in the report's previous sections.

The net value of the tangible assets increase is RON 23,868,368. The most significant growth was registered in real estate investments (RON 22,014,939).

As such, the works related to stage II of the development of TRC PARK Cluj Logistic Park, located in TETAROM III Jucu Industrial Park (14,000 sqm of warehouses), and the upgrading works to the warehouses in Transilvania Logistic Park have been accepted. The most important works carried out in Transilvania Logistic Park have been those for infrastructure rehabilitation, as well as recompartmentalization and improvement of Warehouse 35.

At the end of 2017 the majority of investment properties in progress included works executed by the company within the infrastructure rehabilitation programme at Transilvania Logistic Park, as well as the group works for improvement of the building A of Novis Plaza complex.

1.3 Financial assets: During 2017 their value decreased compared to the previous year by the amount of Ron 7,048.

The value of Ron 4,747,879 in the balance at the end of 2016 consists of:
-SCS CFR 1907 Cluj SA: the value of the shares owned is of RON 4,360,890. The company owns 43,608,910 shares, representing 4.6 % of the share capital.
- Invincible Real Estate: the value of shares owned is of RON 190. The group holds 95% of the share capital;
- the value of receivables related to the sale of apartments with payment in installments, which are going to be paid in a period exceeding 12 months from the balance date: RON 386,799.

2. Current assets

Item name	Values 2016	Values 2017	Differences (2017-2016)
Inventories	345,171	315,871	-29,300
Receivables	6,921,802	3,361,011	-3,560,791
Available cash	4,140,983	7,476,633	3,335,650
Accrued expenses	31,162	8,549	-22,613
Total	**11,439,118**	**11,162,064**	**-277,054**

In 2017 the current assets decreased by RON 277.054 compared to 2016.

A significant loss of group receivables can be noted, whereas the available cash of the group has increased by RON 3,335,650.
In 2017, the group collected the payable VAT, which was due at the end of 2016
The cash available to the group at the end of 2017 was of RON 7,476,633.

3. Accrued expenses are amounts registered during 2017 that refer to later periods.

B. ANALYSIS OF LIABILITIES

2. Shareholders’ equity

The structure of shareholders’ equity is presented below:

Item name	Values 2016	Values 2017	Differences (2017-2016)
Share capital	26,391,783	26,391,783	0
Adjustment of share capital, acc. to IFRS	27,019,805	27,019,805	0
Reserves	6,606,336	6,883,710	277,374
Shareholders’ equity	-104,544	-104,544	0
Accrued earnings, except for IAS 29	58,179,743	57,157,490	-1,022,253
Accrued earnings-IAS 29	-27,019,805	-27,019,805	0
Profit or loss in the reporting period	3,545,480	-1,323,249	-4,868,729

Non-controlling interests	-4,382	-16,009	-11,627
Profit allocation	-2,288,293	-277,374	2,010,919
Total shareholders' equity	**92,326,123**	**88,711,807**	**-3,614,316**

In 2017 the shareholders' equity increased compared to the previous year by the amount of RON 3,614,316.
The decrease was generated by the reported net loss of the group in the financial year 2017, as well as by the assigned equity to the shareholders.

2. Total liabilities
Overall, the liabilities decreased in 2017 compared to the previous year.

Item name	Values 2016	Values 2017	Differences (2017-2016)
Long-term liabilities	**103,837,332**	**136,947,876**	**33,110,544**
- bank credits	89,954,938	123,829,443	33,874,505
- other loans	612,500	0	-612,500
- finance lease	331,618	211,511	-120,107
- performance bonds withheld	1,615,951	1,669,622	53,671
-deferred income tax	11,239,199	11,154,174	-85,025
-provisions for risks and expenses	83,126	83,126	0
Short-term liabilities	**18,634,354**	**12,782,860**	**-5,851,494**
- bank credits	6,071,604	2,851,361	-3,220,243
- finance lease	522,526	253,165	-269,361
-other loans	204,421	88,565	-115,856
-shareholder loan	4,071	0	-4,071
- trade payables	8,617,308	5,991,008	-2,626,300
- payables to employees	148,959	160,938	11,979
- taxes and duties	837,505	144,022	-693,483
- performance bonds withheld	1,731,660	1,754,931	23,271
-various creditors	496,300	1,538,870	1,042,570
Total	**122,471,686**	**149,730,736**	**27,259,050**

<u>3.1. Payables with reimbursement term exceeding one year</u> have a value of RON 136,947,876.

During 2017 there is an increase in these payables, especially in case of bank credits.
The increase was generated by the implementation of the development program approved by the company's shareholders. This plan entails extension of the commercial premises controlled by the company, both locally and at regional level. Since a large portion of this program is financed from raised funds, i.e. long-term investment loans, the increase of long-term payables is normal.
In case of all other types of long-term payables it decreases can be noted compared to the previous year, especially in case of other loans.

On December 31st, 2017, the situation of the bank credits contracted by the company is the following:

EURO

No.	Bank	Destination	Amount granted	Balance as of December 31st, 2016	Balance as of December 31st, 2017
2	CEC Bank	refinancing BT credits	6,693,437	6,504,284	6,434,284
3	CEC Bank	financing warehouse 10,000 sqm	3,900,000	3,884,802	3,874,802
4	CEC Bank	financing infrastructure restoration in Transilvania Logistic Park	1,078,129	887,297	1,062,129
5	CEC Bank	office building financing	5,694,626	3,810,481	5,043,470
6	CEC Bank	TRC Park Cluj financing	8,142,000	4,586,176	7,766,944
7	CEC Bank	refinancing BRD credit	493,160	438,179	414,467
Total			**26,001,352**	**20,111,219**	**24,596,096**

Further on, the group contracted the following lines of credit from CEC Bank:

-a credit line to support current activities, in the amount of Ron 4,500,000, valid until August 2019. On December 31st, 2017, the amounts drawn from this line amounted to RON 0;
-a credit line to purchase assets in the amount of Ron 9,000,000, with validity until August 2022. On December 31st, 2017, the company had not yet drawn the amount of RON 7,345,759.28 from this line.

The balance of bank credits contracted by the group increased compared to the previous year in the amount of EUR 4,484,877, since the company withdrew amounts from the approved bank credits to finance the completion of the logistic park TRC Park Cluj and of the office building Novis Plaza-building A.

3.2. Short-term payables

Value: RON 12,782,860 .

These payables decreased significantly compared to the previous year by the amount of Ron 5,851,494 due to the following factors:
- reduction of short-term loans, as a result of the maturity date increase for the line of credit of RON 4,500,000, until August 2019;
- reduction of commercial payables (amounts due to suppliers which ensure the implementation of the company's development programme);
- reduction of tax debts;

The group's degree of indebtedness at the end of 2017 is of 61% and the company has a very good creditworthiness.

On December 31st, 2017, the group has no outstanding debt (no outstanding and unpaid obligation to financers, state institutions, employees and suppliers).

The group's other commitments which are not recognised in the balance sheet

On December 31st, 2017, the total ceiling granted by CEC Bank SA according to which the company could apply for the issuance of letters of bank guarantee is of RON 5,550,000.
From the total ceiling for the issuance of letter of bank guarantee, on December 31st, 2017, there

were letters issued in the amount of RON 5,220,704.84, respectively:

- for performance bonds granted to beneficiaries Ron 83,126.24;
- for good payment Ron 4,999,285.23,
- to guarantee the collected advance payments Ron 138,293.37.

b) Profit and loss account

The income and the expenses in the last 3 years are presented in the table below:

Ron

Name of indicator	Earned 2015	Earned 2016	Earned 2017
1. Turnover	21,369,307	20,363,813	25,435,589
2. Variation of inventories	-2,600,115	-144,641	-96,556
4. Other operating income	855,394	423,829	615,501
TOTAL OPERATING INCOME	**19,624,586**	**20,643,001**	**25,954,534**
1. Raw materials and materials expenses	3,129,128	2,968,685	3,448,178
2. Personnel and social insurance expenses	1,351,316	1,578,356	1,998,769
3. Amortisation and depreciation	6,395,516	8,923,694	10,376,579
4. Expenses related to external services	1,391,214	3,090,463	4,297,540
5. Other operating expenses	1,282,302	-315,755	854,007
TOTAL OPERATING EXPENSES	**13,549,476**	**16,245,443**	**20,975,073**
OPERATING EARNINGS (PROFIT)	**6,075,110**	**4,397,558**	**4,979,461**
TOTAL FINANCIAL INCOME	**76,691**	**2,878,167**	**4,830**
1. Interest expenses	2,744,368	2,755,307	3,262,481
2. Other financial expenses	529,815	636,506	2,998,358
TOTAL FINANCIAL EXPENSES	3,274,183	3,391,813	6,260,839
FINANCIAL EARNINGS	**-3,197,492**	**-513,646**	**-6,256,009**
TOTAL GROSS EARNINGS	**2,877,618**	**3,883,912**	**-1,276,548**
INCOME TAX	377,069	338,432	130,728
NET PROFIT of the Group	**2,500,549**	**3,545,480**	**-1,407,276**

Based on the comparative analysis of the profit and loss account of 2017 and 2016, the following conclusions can be drawn:

Concerning the evolution of **income:**

a) **Operating income**:

The operating income registered in 2017 is higher by Ron 5,311,533 than the income registered in 2016.

b) Financial income is mainly represented by interests collected by the company for the available cash held.

Concerning the **expenses:**

a) Operating expenses:
Overall, there is a decrease in the operating expenses. The increase was generated by the development of the business. The amortization and depreciation expenses also increased, driven by the increase in value of the company's real estate assets (amortization), and by the entry of adjustments for the depreciation of receivables (for contested receivables). Moreover, an increase of personnel expenses can be noted, generated by the general trend of wage increase, arising in the national economy of the last years.

b) The financial expenses incurred by the group are significantly higher than in the previous year. The increase was generated by the significant increase of the RON/EUR exchange rate, which resulted in differences of exchange rate amounting to RON 2,998,358 (RON 636,506 in 2016).
Moreover, the financial expenses also comprise interests amounting to RON 3,262,481 (RON 2,755,307 in 2016).

The net profit was of RON **4,979,461**, higher than the one registered in the previous year.
The return on turnover was of 20 %.
EBITDA was of RON 15,356,040 (60% from the turnover), higher than the EBITDA registered in 2016, which was of RON 13,321,252 (65% of the turnover).
The group registered a financial loss of RON 6,256,009. This financial loss was registered due mainly to the interests paid for the increased capital, as well as due to the losses registered upon the reassessment of credits contracted in foreign currency, on an unfavorable exchange rate.

The net profit was of RON -1,407,276, lower than the net profit registered in 2016.

In 2017, the group paid dividends amounting to RON 2,279,289.

c) Analysis of the cash flows in 2017:

in RON	**2017**
Cash flows from operating activities	
Collections from clients	40,046,916
Payments to suppliers	-42,854,693
Payments to employees	-1,225,400
Payments to the state budget	-1,883,529
Other payments related to operating activities	-2,125,008
Interests paid	-36,468
Income tax paid	-205,487
Net cash from (used in) operating activities	**-8,283,669**
Cash flows from investing activities	
Interests collected	0
collections from the sale of tangible assets	0
Payments for the purchase of tangible assets	-8,847,010
Net cash from (used in) investing activities	**-8,847,010**

Cash flows from financing activities	
Collections from long-term bank loans contracted	28,414,443
Collections from share capital increase	74,300
Payment of liabilities related to bank credits	-4,295,700
Payment of liabilities related to finance lease	-502,810
Payment of other liabilities related to financing activities	-1,086,878
Payment of dividends	-2,100,159
Net cash from (used in) financing activities	**20,503,196**
Net increase of cash and cash equivalents	**3,372,517**
Effect of exchange rate fluctuations on cash	-36,867
Cash and cash equivalent at the beginning of the financial year	**4,140,983**
Cash and cash equivalent at the end of the financial year	**7,476,633**

As it can be noted, the operating activity generated a cash deficit of RON 8,283,669.The cash deficit of the operating activity was generated by the activity of developing new commercial spaces, as well as the finalization of an office building, which, according to the accounting regulations, in the case of the companies in this field of activity is considered an operating activity.

Payments were made for the investment activity in the amount of RON 8,847,010. The payments of investment activities comprise real estate purchases (land and constructions located in Cluj Napoca, for expansion of Transilvania Logistic Park).

Within the financing activity there were payments made to reimburse debts in the amount of RON 7,985,547. The group collected the amount of RON 28,414,443 lei, by drawdown from the contracted loans to finance the investments. The financing gap is of RON 20,503,196.
The cash surplus of the operating activity was used to finance the group's investment program.

At the end of financial year 2017 the group had cash and cash equivalents in the amount of RON 7,476,633. This cash covered all the group's payables due.

Issues related to corporate governance

Statement on conformity with the Corporate Governance Code of Bucharest Stock Exchange

This section refers to Transilvania Constructii SA, as parent company of this group. The management of Transilvania Constructii is in charge of managing the entire group of companies under its coordination.

The company Transilvania Constructii, as parent company of the group, complies with the majority of the provisions of the Corporate Governance Code of Bucharest Stock Exchange. Currently the company is under process of implementing the provisions of the Corporate Governance Code of Bucharest Stock Exchange in all processes, procedures and levels of the company's management so that in a reasonable time the company will be able to comply fully with the provisions of the

Corporate Governance Code of Bucharest Stock Exchange.

The responsibilities of the Board of Directors of Transilvania Constructii

Currently there is no formalised document (in this case a separate document that would include the Terms of Reference), but there are clear provisions concerning the operation of the Board of Directors in the company's Articles of Incorporation, the fundamental document based on which the company operates.
The most important issues concerning the operation of the Board of Directors are detailed below:
- to establish the main directions of activity and development of the company
- to establish the financial accounting and audit system in approving the financial planning
- to appoint and revoke directors and to establish their remuneration
- to supervise the managers' activity
- to prepare the annual report, to organise general meetings of shareholders and to implement its decisions
- to submit the application for the opening of the company's insolvency procedure according to Law no. 85/2014 on insolvency procedure
- responsibilities received from the general meeting of shareholders.

The Board of Directors is convened at least once in three months and whenever necessary to discuss and make decisions on the company's activity.
The structure of the Board of Directors as well as the professional CVs and other commitments of the members are presented in point 4 of this report.
In 2017, the appointed Secretary of the Board of Directors is Mr. Barz Lucian, the company's employee, who holds the position of chief financial officer.
During 2017 the Board of Directors' activity was not assessed. The procedure for the assessment of the Board of Directors' activity is currently under implementation.
The company estimates that 2019 will be the first year when this process assessing the Board of Directors' activity will actually take place.

During 2017 the Board of Directors convened many times in order to assess the company's global activity but also to analyse and approve certain transactions whose approval fell exclusively under the competence of the Board of Directors.
In total the Board of Directors met 18 times.

In the table below we present the attendance of the members of the Board of Directors in the meetings in 2017.

Director	Activity period	No. of meetings
Timofte Mircea	January 1st, 2017-December 31st, 2017	18
Timofte Andrei Iancu	January 1st, 2017-December 31st, 2017	18
Legean Viorel	January 1st, 2017-December 31st, 2017	18

In 2017, there was no Audit Committee operating within the Board of Directors. Mr. Legean Viorel was responsible for supervising the activity of the Internal Audit Department as well as the activity

of the company's internal auditor.
Taking into account the volume and complexity of the company's activity as well as the number of members in the Board of Directors, it does no appear to be necessary to set up an Audit Committee consisting of more members.

Transactions with related parties:
In 2016 the company carried out the following transactions with related parties:

1 Transactions with Brieta Industrial Com SRL.
SC Brieta Industrial Com SRL, with office in Cluj-Napoca, 10 Orastiei Street, Cluj county, tax ID RO 6839037, J12/4795/1994. The company has a share capital in the amount of Ron 17,480 consisting of 1748 shares held as follows:
874 shares: Mrs. Timofte Gabriela;
874 shares: Mr. Timofte Mircea
The company carried out the following transactions with SC Brieta Industrial COM SRL.

In 2017:
- the company did not have turnover or balances in the accounts 401 and 4111.
In 2016:
- the company did not have turnover or balances in the accounts 401 and 4111.

Further on, the company contracted a loan from SC Brieta Industrial Com, in the amount of Ron 980,000, with maturity by December 31st, 2022 and warranty period until December 31st, 2015. The interest paid by the company is the reference interest rate communicated by BNR (Romanian National Bank). In August 2017, Transilvania Constructii fully refunded the balance loan, namely RON 790,000.
Initial balance of the loan on January 1st, 2017: RON 790,000;
Debit cash flow : RON 790,000
Final balance of the loan on December 31st, 2017: Ron 0

- In 2017, the company registered interest expenses related to credit contracted in the amount of Ron 8,825.28.
- In 2016, the company registered interest expenses related to credit contracted in the amount of Ron 17,197.02.

2. In 2017 the company carried out the following transactions with the management personnel:

Initial balance account 4551-analytic Timofte Andrei Iancu: RON 4,070.60;
Credit balance: 0;
Debit balance: RON 4,070.60;
Final balance account 4551:-analytic Timofte Andrei Iancu: Ron 0

In 2016 the company carried out the following transactions with the management personnel:

Initial balance account 4551-analytic Timofte Andrei Iancu: RON 2,827,456.60;
Credit balance: 800,000;
Debit balance: RON 3,623,386;
Final balance account 4551:-analytic Timofte Andrei Iancu: RON 4,070.60

Full information on the company's related parties are presented in Notes to the Financial Statements (Note 29)

Allowances granted to the members of the Board of Directors are established by the General Ordinary Meeting of Shareholders. At the same time, GMS establishes as well possible additional allowances or other benefits granted to the members of the Board of Directors.

In the table below we present the gross allowances received by the members of the Board of Directors of Transilvania Constructii during 2017.

Director	**Gross allowances –basic- RON**	**Other bonuses**	**Benefits in kind**
Timofte Mircea	0	0	Telephone and company car
Timofte Andrei Iancu	13,724	0	Telephone and company car
Legean Viorel	8,496	0	Telephone and company car

BOARD OF DIRECTORS

CHAIRMAN TIMOFTE MIRCEA

MEMBER TIMOFTE ANDREI

MEMBER LEGEAN VIOREL

OFFICIAL STATEMENT

In accordance with the provisions of art. 30 of the Accounting Law no. 82/1991

The annual financial statements as at 31.12.2017 were prepared for:

Entity: SC TRANSILVANIA CONSTRUCTII S.A.
County: 12-: Cluj;
Address: Cluj Napoca, str. Taietura Turcului, no. 47, 3rd floor
Phone: 0264-416597
Trade Registry Number: J12-8-1991;
Form of ownership: 34 Share Company
Predominant activity: 4120- "Construction of residential and non-residential buildings";
Unique registration code: 199044

The manager of the company, TIMOFTE MIRCEA, assumes responsibility for the preparation of the annual financial statements as at 31.12.2017 and he confirms that:
a) The accounting policies used to prepare the annual financial statements are in accordance with the applicable accounting regulations;
b) The annual financial statements provide a true image of the financial position, financial performance and other information related to the activity performed;
c) The legal person carries out activity in terms of continuity;

Chairman of the Board of Directors
Timofte Mircea

Str. Tăietura Turcului nr. 47, Etaj 3, Cluj-Napoca
Tel: 0264-416597
Fax: 0264-592229
office@transilvaniaconstructii.ro

S.C. Transilvania Construcții S.A.

Separate Financial Statements
on December 31st, 2017

Prepared according to the International
Financial Reporting Standards adopted by the
European Union

Content

Separate Financial Statements

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Separate Financial Statements

Situation of financial position

For the financial year ended on December 31st, 2017

in RON	Note	31-dec.-17	31-dec.-16
ASSETS			
Tangible assets	6	14,299,380	13,187,643
Investment properties	7	177,139,696	157,877,223
Intangible assets	8	81,761	21,293
Held-to-maturity investments	9	5,909,835	4,534,235
Long-term trade and similar receivables	11	11,408,951	8,993,358
Total fixed assets		**208,839,623**	**184,613,752**
Inventories	10	315,861	326,090
Short-term trade receivables	11	1,887,844	4,662,219
Other receivables	13	1,874,532	4,519,399
Accrued expenses		39,683	31,162
Cash and cash equivalents	12	4,980,516	2,684,550
Total current assets		**9,098,436**	**12,223,420**
TOTAL ASSETS		**217,938,059**	**196,837,172**
SHAREHOLDERS' EQUITY			
Share capital	14	26,391,783	26,391,783
Share capital adjustments	14	27,019,805	27,019,805
Reserves	14	6,871,156	6,593,780
Retained earnings		31,669,213	33,948,502
Shareholders' equity		-104,544	-104,544
Total shareholders' equity		**91,847,413**	**93,849,326**
LIABILITIES			
Long-term loans	15	103,239,576	75,506,191
Deferred profit tax liabilities	16	11,395,445	11,479,691
Long-term provisions	17	83,126	83,126
Total long-term liabilities		**114,718,147**	**87,069,008**
Trade payables	18	5,840,217	6,290,618
Short-term loans	15	3,788,515	8,156,211
Other payables		1,743,767	1,472,009
Total current liabilities		**11,372,499**	**15,918,838**
TOTAL LIABILITIES		**126,090,646**	**102,987,846**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**217,938,059**	**196,837,172**

The Financial Statements were approved by the Board of Directors on March 21st, 2018
Note below form an integral part of the Financial Statements.

Separate Financial Statements

Statement of comprehensive income

for the financial year ended December 31st, 2017

in RON	Note	2017	2016
Income from turnover	**21**	25,134,277	20,791,837
Other operating income	**22**	613,501	1,886,087
Changes in inventories of finished goods and work in progress		-96,556	-144,641
Total operating income		**25,651,222**	**22,533,283**
Expenses with raw materials and consumables	**23**	3,210,800	2,836,283
Expenses related to services provided by third parties		4,348,617	3,491,321
Personnel related expenses	**24**	1,894,462	1,548,049
Amortization and depreciation expenses	**25**	9,719,886	8,772,649
Provision expenses	**17**	0	-43,705
Goods-related expenses		128,880	110,602
Other operating expenses	**26**	729,225	-162,071
Total operating expenses		**20,031,870**	**16,553,128**
Operating income		**5,619,352**	**5,980,155**
Financial income	**27**	4,737	2,878,167
Interest expenses	**27**	2,856,788	2,755,307
Other financial expenses	**27**	2,358,418	619,362
Total Financial expenses		**5,215,206**	**3,374,669**
Financial loss		**-5,210,469**	**-496,502**
Profit before tax		**408,883**	**5,483,653**
Income tax expenses	**28**	215,753	814,183
Deferred tax revenue	**28**	84,246	235,567
Net profit of the period		**277,376**	**4,905,037**
Other items of comprehensive income		0	0
COMPREHENSIVE INCOME OF THE PERIOD		**277,376**	**4,905,037**
Earnings per share			
Basic	**20**	0.35	6.13
Diluted	**20**	0.35	6.13

The Financial Statements were approved by the Board of Directors on March 21st, 2018
Note below form an integral part of the Financial Statements

Separate Financial Statements

Statement of changes in equity

for the financial year ended December 31st, 2017

in RON	Share capital	Share capital adjustments	Merger premium	Shareholders' equity	Reserves	Retained earnings	Retained earnings resulting from the adoption of IFRS, less IAS 29	Retained earnings resulting from the adoption for the first time of IAS 29	Total shareholders' equity
Balance on January 2017	**26,391,783**	**27,019,805**	**-**	**(104,544)**	**6,593,780**	**599,012**	**60,369,295**	**(27,019,805)**	**93,849,326**
Share capital issue	-	-	-						-
Cancellation of own shares	-		-	-	-	-	-		-
Total comprehensive income of the period									-
Net income of the period	-	-	-	-		277,376		-	**277,376**
Other items of comprehensive income					-				-
Allocation to the legal reserve	-	-	-	-	14,764	(14,764)	-	-	-
Allocation to other reserves	-	-	-	-	262,612	(262,612)	-	-	-
Allocation to dividend payment				-		(913,623)	(1,365,666)		**(2,279,289)**
Balance on December 31st, 2017	**26,391,783**	**27,019,805**	**-**	**(104,544)**	**6,871,156**	**(314,611)**	**59,003,629**	**(27,019,805)**	**91,847,413**
Balance on January 2016	**26,391,783**	**27,019,805**	**-**	**(104,544)**	**4,305,486**	**(2,017,731)**	**60,369,295**	**(27,019,805)**	**88,944,289**
Share capital issue	-	-	-						-
Cancellation of own shares	-		-	-	-	-	-		-
Total comprehensive income of the period									-
Net income of the period	-	-	-	-		4,905,037		-	**4,905,037**
Other items of comprehensive income									-
Allocation to the legal reserve	-	-	-	-	274,183	(274,183)	-	-	-

TRANSILVANIA CONSTRUCȚII SA
C.I.F: RO199044
Nr. ord. reg.com./an: J12/8/1991
IBAN: RO13 CECE CJ01 I5RO N055 8518
CEC Bank Cluj
Capital Social: 26 391 783 RON
Str. Tăietura Turcului nr. 47, Etaj 3, Cluj-Napoca
Tel: 0264-416597
Fax: 0264-592229
office@transilvaniaconstructii.ro

Allocation to other reserves	-	-	-	-	2,014,111	(2,014,111)	-	-	-
Allocation to dividend payment				-		-			-
Balance on December 31st, 2016	**26,391,783**	**27,019,805**	**-**	**(104,544)**	**6,593,780**	**599,012**	**60,369,295**	**(27,019,805)**	**93,849,326**

The Financial Statements were approved by the Board of Directors on March 21st, 2018

Note below form an integral part of the Financial Statements

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Separate Financial Statements

Statement of Cash Flows

for the financial year ended December 31st, 2017

in RON	Note	2017	2016
Cash flows from operating activities			
Collections from clients		37,388,696	47,042,179
Payments to suppliers		-32,426,736	-39,147,085
Payments to employees		-1,138,308	-901,610
Payments to the state budget		-1,682,468	-3,377,642
Other payments related to operating activities		-1,226,735	-20,525,931
Interests paid		-36,468	-552,124
Income tax paid		-205,487	0
Net cash from (used in) operating activities		**672,494**	**-17,462,213**
Cash flows from investing activities			
Interests collected		0	1,157
collections from the sale of tangible assets		0	0
Payments for the purchase of tangible assets		-8,847,010	-178,156
Payments for financing affiliated companies		-5,125,600	-8,599,702
Net cash from (used in) investing activities		**-13,972,610**	**-8,776,701**
Cash flows from financing activities			
Collections from long-term bank loans contracted		22,648,448	33,876,464
Payment of liabilities related to bank credits		-3,354,126	-4,731,903
Payment of liabilities related to finance lease		-502,810	-697,396
Payment of other liabilities related to financing activities		-1,067,672	-3,171,587
Payment of dividends		-2,100,159	0
Net cash from (used in) financing activities		**15,623,681**	**25,275,578**
Net increase of cash and cash equivalents		**2,323,565**	**-963,336**
Effect of exchange rate fluctuations on cash		-27,599	-55,363
Cash and cash equivalent at the beginning of the financial year	**12**	**2,684,550**	**3,703,249**
Cash and cash equivalent at the end of the financial year	**12**	**4,980,516**	**2,684,550**

The Financial Statements were approved by the Board of Directors on March 21st, 2018

Note below form an integral part of the Financial Statements

Notes to the Separate Financial Statements

for the financial year ended December 31st, 2017

1. Reporting entity

S.C. Transilvania Construcții S.A. („Company") is a joint-stock company trading operating in Romania in compliance to Law 31/1990 on trading companies. It was set up on November 30, 1990, based on Decision no. 54 of the Prefect's Office in Cluj County, through the reorganisation of TRCL Cluj.
The company's registered office is located in Cluj-Napoca, 47 Taietura Turcului Street, 3rd Floor, Cluj county, tax ID RO 199044, registration number with the Trade Register J12/8/1991.
The company's object of activity, recorded at Cluj Trade Registry Office, is the construction of residential and non-residential buildings.
The revenues of the company are obtained from renting and sub-leasing of own or rented real estate property.
The Company's shares are listed on Bucharest Stock Exchange, standard category, with the indicative COTR, since August 2008.
On December 31st, 2017, the structure of the Company's share capital was the following:

No.	Name	No. of shares	%	Value-RON
1	Timofte Andrei Iancu	461,635	57.72	15,233,955
2	Timofte Mircea	285,072	35.65	9,407,376
3	Other shareholders	53,044	6.63	1,750,452
	Total	**799,751**	**100.00**	**26,391,783**

The own shares held by the company grant neither voting right in the General Assembly of Shareholders nor dividend right. Further on, the company does not have subscription right in the case of share capital increase by subscription granting pre-emption right.
The Register of shares and shareholders is kept under the law by S.C. Depozitarul Central S.A. Bucharest.

2. Grounds for preparation

(a) Declaration of conformity

The Separate Financial Statements are drawn up by the Company according to the International Financial Reporting Standards ("IFRS") endorsed by the European Union. The Company applies the regulations included in the Order of the Minister of Public Finance no. 2844 of December 12, 2016
approving the Accounting Regulations that are according to the International Financial Reporting Standards
The date of transition to the International Financial Reporting Standards was January 1st, 2011.
Starting with the financial year 2012, trading companies whose securities are admitted to trading on a regulated market are obliged to apply the IFRS to the preparation of the annual separate financial statements.

(b) Presentation of the financial statements

The Separate Financial Statements are presented according to the requirements of IAS 1 *Presentation of Financial Statements*. The Company adopted a presentation based on liquidity in the statement of financial position and a presentation of the income and expenses by their nature in the statement of comprehensive income, considering that these methods of presentation provide information that are reliable and more relevant than those presented based on other methods of presentation permitted by IAS 1.

(c) Functional and presentation currency

The Company's management considers that the functional currency, as defined in IAS 21 *Effects of Changes in Foreign Exchange Rates*, is the Romanian Leu (Ron). The Separate Financial Statements are presented in

Ron, rounded to the nearest Leu, the currency chosen by the Company as presentation currency.

(d) Measurement bases

The Separate Financial Statements were prepared based on historical cost except for land and buildings which are measured by using the deemed cost model.

The accounting policies defined below have been consequently applied for all the periods presented in these financial statements.

These financial statements were prepared based on the going-concern principle.

(e) Use of estimations and judgements

The preparation of the separate financial statements according to the International Financial Reporting Standards ("IFRS") assumes that the management uses some estimations, judgements and assumptions which affect the application of accounting policies as well as the reported value of assets, liabilities, revenue and expenses. The judgements and assumptions related to these estimations are based on historic experience as well as on other factors considered reasonable in the context of these estimates. The results of these estimations constitute the basis of the judgements related to the book value of assets and liabilities which cannot be obtained from other sources of information. The results obtained may vary from the values of estimations.

The judgments and assumptions on which these are based are periodically revised by the Company. The revisions of accounting estimations are recognized in the period in which the estimations are revised if the revisions affect only that period or in the period in which the estimations are revised and in the future periods if the revisions affect both the current and the future periods.

The preparation of the separate financial statements according to the IFRS assumes that the management uses certain professional judgments, estimations and assumptions which affect the application of accounting policies and reported value of assets, liabilities, revenue and expenses. The actual results may vary from the estimated values.

The estimations and assumptions on which these are based are periodically revised. The reviews of accounting estimations are recognised in the period in which the estimation was revised and in the future affected periods.

3. Significant accounting policies

The accounting policies have been consequently applied to all periods presented in the separate financial statements prepared by the Company.

The separate financial statements are prepared based on the assumption that the Company will continue its activity in the foreseeable future. In order to assess the applicability of this assumption, the management analyses the forecasts related to the future cash inflow.

(a) Transactions in foreign currency

Operations in foreign currency are registered in Ron at the official exchange rate valid on the date of transaction settlement. Monetary assets and liabilities registered in foreign currencies on the date of drawing up the balance sheet are changed into functional currency at the exchange rate valid on that day.

Gains and losses from their settlement and from conversion using the exchange rate from the end of the financial year of the monetary assets and liabilities denominated in foreign currency are recognised in the statement of comprehensive income.

The exchange rates of the main currencies were the following:

Currency	**December 31st, 2017**	**December 31st, 2016**	**Variation**
Euro (EUR)	4.6597	4.5411	+2.61%
American Dollar (USD)	3.8915	4.3033	-9.57%

(b) Accounting for the hyperinflation effect

According to IAS 29 *Financial Reporting in Hyperinflationary Economies*, the financial statements of an entity whose functional currency is the currency of a hyperinflationary economy must be presented in the

current measurement unit at the balance sheet date (the non-monetary items are restated using a general index of prices on the purchase or contribution date).
According to IAS 29, an economy is considered hyperinflationary if, besides other factors, the cumulated inflation rate for a period of three years exceeds 100%.
The steady decrease of the inflation rate and other factors related to the characteristics of economic environment in Romania indicate the fact that the economy whose functional currency was adopted by the Company ceased to be hyperinflationary, with affect on the financial periods starting from January 1, 2004.
Thus, the values expressed in the current unit of measurement as at December 31, 2003 are treated as basis for the book values reported in the separate financial statements and do not represent measured values, replacement cost or any other measurement of the current value of assets or of the prices at which the transactions would take place at this moment.
For the purpose of the preparation of separate financial statements, the Company adjusts the share capital in order to be expressed in the current unit of measurement as at December 31, 2003.

(c) Financial instruments

(i) Non-derivative financial assets

The company recognises initially the financial assets (loans, receivables and deposits) on the date on which these were initiated. All other financial assets are recognised initially on the trade date when the Company becomes part of the contractual conditions of the instrument.
The company derecognises a financial asset when the contractual rights of the cash flow generated by the asset expire or when the rights to collect the contractual cash flows of the financial asset are transferred by a transaction through which the risks and benefits of the property right of the financial asset are transferred in a significant way. Any interest in the transferred financial asset which is created or kept by the Company is recognised separately as an asset or a liability.
The financial assets and liabilities are set off and the net value is presented in the statement of financial position only when the Company has the legal right to set off the values and intends to either settle on a net basis or realise the asset and simultaneously settle the obligation.
The Company holds the following non-derivative financial assets: cash and cash equivalents, receivables and held-to-maturity investments.

Receivables

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

Cash and cash equivalents

Cash and cash equivalents include cash balances, current accounts and refundable deposits with up to three months maturity from the date of acquisition and which are subject to an insignificant risk of changes in their fair value and which are used by the Company to manage its short-term commitments.

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity that the entity has the firm intention and ability to hold to maturity. Investments held to maturity are initially recognised at fair value plus any directly attributable transaction costs.
Subsequent to initial recognition, these are measured at cost less any impairment losses.

(ii) Non-derivative financial liabilities

The Company recognises initially the non-derivative financial liabilities on the trade date, when the Company becomes part of the contractual conditions of the instrument. These are recognised initially at fair value plus any directly attributable transaction cost. Subsequent to initial recognition, these financial liabilities are measured at amortized cost using the effective interest method.
The company derecognises a financial liability when the contractual liabilities are paid or cancelled or expire.
The Company holds the following non-derivative financial liabilities: loans, financial leasing contracts, bonds held to subcontractors, trade and other liabilities.

(iii) Share capital –Ordinary shares

Ordinary shares are classified as part of shareholders' equity. The additional costs directly attributable to the issue of ordinary shares and share warrants are recognised as shareholders' equity decrease at net value of tax effects.

(d) Tangible assets

(i) Recognition and measurement

Tangible assets recognised as assets are initially measured at cost by the Company. The cost of a tangible asset item consists of the purchase price, including non-refundable duties, after deducting any trade discounts and any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by the management, such as: employee expenses arising directly from the construction or acquisition of assets, costs of site preparation, initial delivery and handling costs, professional fees.

The cost of a tangible asset item built by the entity includes:

- cost of materials and expenses directly related to the personnel;
- other costs directly attributable to bringing the assets to the condition necessary for the intended use;
- when the Company is obliged to move the asset and to restore the related area, an estimation of costs related to dismantling, removing of property items and restoring the area where these were capitalised; and
- costs of capitalised borrowing.

When parts of certain items a tangible asset have different useful life, these are accounted for as separate items (major components) of tangible assets.

According to IFRS 1, if an entity uses fair value as deemed cost for an item of tangible assets or intangible asset in the opening statement of financial position, the first financial statements of the entity prepared according to the International Financial Reporting Standards must present each item from the opening statement of financial position according to the International Financial Reporting Standards:

- aggregate amount of that fair values; and
- aggregate adjustment of the book values reported according to the previous accounting principles.

The value of the Company's tangible assets on December 31st, 2016 and December 31st, 2015 is detailed in note 6.

Tangible assets are classified by the Company under classes of assets of the same nature and with similar use:

- land;
- buildings;
- equipments, technical installations and machines;
- means of transport;
- other tangible assets.

Land and buildings existing in balance on the transition date are highlighted using the deemed cost method, this representing the fair value on the date of last revaluation (December 31, 2008) carried out prior to the transition date less any subsequently cumulated amortization and any cumulated impairment losses until December 31st, 2010.

Other tangible assets are highlighted at cost less any cumulated amortization and any cumulated impairment losses, these being purchased by the Company after December 31st, 2003.

(ii) Reclassification as investment property

When the use of a property is changed from owner-occupied property into investment property, the property is recognised at book value of the transferred property and this does not change the cost of that property for the purpose of measurement or for the presentation of information. On the date of transition to IFRS the Company reclassified a series of land, buildings and investments in progress from property to investment property after their analysis according to IAS 40 *Investment property*.

(iii) Subsequent expenses

Subsequent expenses are capitalised only when these increase the value of future economic benefits incorporated in the asset for which are intended. Repairs and maintenance expenses are recognised in profit loss as incurred.

(iv) Amortization

Items of tangible assets are amortized from the date when these are available for use or are in running order, and for the assets built by the entity, from the date when the asset is finished and prepared for use.

Amortization is calculated by using the straight-line method, charged over the estimated useful life of the assets, as follows:

Constructions	8-60 years
Equipments	2-15 years
Means of transport	2-15 years
Furniture and other tangible assets	4-15 years

Land is not subject to amortization, only land improvements with a useful life of 24 years.

Amortization is usually recognised in profit and loss, except for the case when the amount is included in the book value of another asset.

Leased assets are amortized for the shortest period from the leasing contract duration and useful life except for the case when it is estimated with reasonable certainty that the Company will acquire the property right at the end of the leasing contract.

Amortization methods, estimated useful life as well as the residual values are revised by the Company's management on each reporting date and adjusted, if applicable.

(v) Sale/ disposal of tangible assets

Tangible assets that are disposed of and sold are eliminated form the balance together with the related cumulated amortization. Any profit or loss resulting from such an operation is included in current profit or loss.

(e) Intangible assets

(i) Recognition and measurement

Intangible assets purchased by the Company and that have determined useful life are measured at cost less cumulated amortization and cumulated impairment losses. These were purchased by the Company after December 31, 2003.

(ii) Research and development

Expenses with development activities carried out to gain knowledge or scientific interpretations or new techniques are recognised in profit or loss when incurred.

Development activities imply a plan or project aiming at new or substantially improved products or processes. Development costs are capitalised only if these can be measured reliably, the product or process is feasible from a technical and commercial point of view, the future economic benefits are probable and the Company intends and has sufficient resources to finish the development and to use or sell the asset. Capitalised expenses include cost of materials, direct costs with personnel and administrative costs that are directly attributable to the preparation of the asset for the intended use and costs of the capitalised borrowing. Other development costs are recognised in profit or loss when incurred.

(iii) Subsequent expenses

Subsequent expenses are capitalised only when these increase the value of future economic benefits incorporated in the asset for which are intended. All other expenses, including expenses related to internally generated goodwill and brands are recognised in profit or loss when incurred.

(iv)Amortization

Amortization is calculated for the cost of the asset less residual value.

Amortization is recognised in profit or loss using the straight-line method, charged over the estimated useful life of the intangible assets, other than goodwill, from the date these are available for use. The estimated useful life for the current period and for the comparative periods is the following:

- software 1-5 years

Amortization methods, estimated useful life as well as the residual values are revised at the end of each financial year and are adjusted, if applicable.

(f) Investment property

Investment property is property held either to be leased or to increase the value of capital, or for both, but not

to sell in the normal course of business, to use for the production or provision of goods or services or for administrative purposes.
Investment property is initially measured at cost and subsequently measured at cost less cumulated amortization and cumulated impairment losses.
Cost includes expenses that can be directly attributed to the purchase of investment property. Cost of self-constructed investment property includes cost of materials and direct labour force, plus other costs directly attributed to bringing the investment property to a working condition intended for use as well as costs of capitalised borrowing.
The Company measures the investment properties existing in balance on the date of transition to IFRS at the deemed cost that represents the fair value on the date of last revaluation (December 31st, 2008) carried out prior to the transition date less any accumulated amortization and any accumulated impairment loss until December 31st, 2010.
Any profit or loss resulting from the disposal of a property investment (calculated as a difference between the net disposal proceeds and the book value of the item) is recognised as profit or loss.

(g) Inventories

(i) Recognition and measurement

Stocks are measured at the lower of cost and net achievable value.
The cost of inventories is based on the first-in first-out (FIFO) principle and includes the expenses incurred related to purchase of inventories, production or processing costs and other costs incurred in bringing the stocks to their present location and condition.
Inventories used in retail activities are measured at the sale price.
The Company holds in inventories self-constructed apartments intended for sale. Costs incurred by the construction of these apartments include:

- purchase price;
- import duties and other taxes (except for those recovered subsequently from the tax authorities);
- transport costs;
- handling costs;
- other costs directly attributable to the purchase of finished goods, materials and services;
- costs directly attributed to product units (e.g. direct labour);
- systemic allocation of fixed production overheads (e.g. amortization, maintenance of sections and machinery, costs with management and administration of the department, etc.);
- systemic allocation of fixed production overheads (e.g. indirect materials, indirect labour force etc. that vary proportionally with the volume of production);
- overheads, other than those relating to production;
- borrowing costs.

Net realisable value is the selling price estimated in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

(ii) Reclassification as investment property

When the use of a property is changed from the category of inventories into investment property, the property is recognised at book value of the transferred inventories.

(h) Construction contracts in progress

The construction contracts are covered by IAS 11 *Construction contracts*. Constructions under progress represent the gross value expected to be collected from clients for the works performed up to the present. The measurement is carried out at cost plus profit recognised up to the present less the amounts invoiced for the work performed up to the present and recognised losses. Cost includes all expenses directly related to specific projects and an allocation of the fixed and variable administrative expenses incurred within the contractual activities of the Company based on normal operational capability.
Constructions in progress are presented as part of trade receivables in the statement of financial position for all contracts for which the costs incurred plus recognised profit exceed the amounts invoiced for the performed work and recognised losses. If the amounts invoiced for the work performed and the recognised

losses exceed the costs incurred plus the recognised profit, then the difference is presented in the statement of financial position as deferred revenue. Advance payments collected form clients are presented as deferred revenue in the statement of financial position.

(i) Impairment of assets

Non-financial assets

The book value of the Company's assets that are non-financial, other than deferred tax assets, is revised on each reporting date to identify the existence of impairment indications. If such indications exist, the recoverable amount of those assets will be estimated.

An impairment loss is recognised when the book value of the asset or its cash-generating unit exceeds the recoverable amount of the asset or its cash-generating unit. A cash-generating unit is the smallest identifiable group generating cash and which is able to generate cash flows independently from other assets or groups of assets. Impairment losses are recognised in the statement of comprehensive income.

The recoverable value is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use. In order to determine the value in use, the expected future cash flows are discounted by a discount rate before taxation that reflects the current market conditions and risks specific to that asset.

The impairment losses recognised in the previous periods are measured on each reporting date to determine if these have diminished or no longer exist. The impairment loss shall be reversed if there has been a change in the estimates used to determine the asset's recoverable amount. The impairment loss is reversed only if the book value of the asset does not exceed the book value that would have been calculated, net of amortization and depreciation, if the impairment loss would not have been recognised.

Financial assets

Impairment losses related to financial assets available for sale are recognised through the reclassification of losses accumulated in fair value reserves, from shareholders' equity in profit or loss. The accumulated loss that was reclassified from shareholders' equity into profit or loss is the difference between the acquisition cost, net of principal repayment and amortization, and the current fair value less any impairment loss previously recognised in profit or loss. Changes in accumulated impairment losses attributable to the application of effective interest method are reflected as a component of the interest income. If, in a subsequent period, the fair value of a liability instrument impaired available for sale increases and the increase can be associated in an objective way with an event that took place after the impairment loss was recognised in profit or loss, then the impairment loss is reversed and the value of reversal is recognised in profit or loss. Nonetheless, any subsequent recovery of the fair value of an equity instrument impaired available for sale is recognised in other items of comprehensive income.

(j) Dividends to be distributed

(j) Dividends to be distributed Dividends are treated as allocation of profit in the period when these were declared and approved by the General Assembly of Shareholders.

Dividends declared previously to the reporting date are registered as obligations as at the reporting date.The dividends distributed to shareholders, proposed and declared after the reporting period, as well as other similar distributions made from the profit determined based on the IFRS and included in the annual financial statements, do not have to be recognised as liability at the end of the reporting period.

(k) Revaluation reserves

The last accounting revaluation of the non-current assets was carried out on December 31st, 2008. The revaluation of land and buildings belonging to the patrimony was carried out by an authorised company.

On the date of transition to the International Financial Reporting Standards, the company measured the non-current assets and immovable assets at deemed price. The presumed costs attributed to those assets were the values set on December 31st, 2008, following the revaluation. With the occasion of the transition to IFRSs, the revaluation reserve in the balance, as well as the reserve representing the reevaluation surplus realized, were resumed to the retained earnings. To quantify the tax impact, in accordance with IAS 12, the deferred income tax was registered.

Starting from the date of transition to the IFRS, the company chose as cost model the cost-based amortization for all assets and liabilities.

(l) Legal reserves

Legal reserves are constituted at a rate of 5% of the statutory gross profit from the end of the year until the total legal reserves has reached 20% of the (statutory) nominal share capital paid up according to the legal provisions. These reserves are deductible upon the calculation of the income tax and are distributable only upon the Company's liquidation.

(m) Related parties

Parties are regarded related if one of the parties has the possibility to control directly or indirectly or to influence significantly the other party either by property, contracting rights, family relations or other, as defined in IAS 24 *Related party disclosures*.

(n) Employee benefits

(i) Short-term benefits

Obligations with short-term employee benefits are measured discount and the expense is recognised as the related services are provided. A liability is recognised at the value expected to be paid within some short-term plans for granting cash bonuses or participation in profit if the Company has legal or implicit obligation to pay this amount for services provided previously by the employees and the obligation can be estimated reliably.

Short-term employee benefits include wages, premiums and contributions to social securities. Short-term employee benefits are recognised as expense when services are provided.

(ii) Defined contribution plan

The Company makes payments on behalf of its own employees to the pension system of the Romanian State, health insurance and unemployment fund, during the normal performance of activity.

All employees of the Company are members and also have the legal obligation to contribute (through the social security contributions) to the pension system of the Romanian State (a defined contribution plan of the State). All related contributions are recognised in profit or loss of the period when these are paid. The Company does not have other additional obligations.

The Company is not engaged in any independent pension system and, therefore, does not have any kind of obligation in this sense. The Company is not engaged in any other post-retirement benefit system. The Company does not have the obligation to provide subsequent services to former or current employees.

(iii) Long-term employee benefits

The Company's net obligation concerning the benefits related to long-term services is represented by the value of future benefits that the employees earned in exchange of services provided by them in the current and previous periods.

The Company is obliged to grant the employees benefits on the retirement date, according to the collective bargaining agreement.

(iv)Termination benefits

Termination benefits are recognised as expenses when the Company can prove, without real possibility of waiver, commitment to a detailed official plan either to terminate labour agreements before the normal retirement date or to offer benefits for the termination of the labour agreements as a result of an incentive offer of voluntary redundancy. Expenses with termination benefits for voluntary redundancy are recognised if the Company made an incentive offer for voluntary leave, it is likely that the offer will be accepted, and the number of those who will accept it may be estimated in a reliable way. If the benefits are due over 12 months after the reporting period, these are discounted at their present value.

(o) Provisions

A provision is recognised if, following a prior event, the Company has a present legal or implicit obligation that can be estimated in a reliable way and it is likely that an outflow of economic benefits is necessary to settle the obligation. Provisions are determined by discounting expected future cash flows using a pre-tax rate that reflects current market measurements concerning time value of money and risks specific to the liability. Amortization of discount is recognised as financial expense.

(i) Warranties

The provision for warranty is recognised when the products or services covered by the warranty are sold. The Company established provisions for warranties for the construction works performed for its clients.

The value of provision is based on historical information concerning the warranties granted and is estimated by weighting all possible incomes with the probability of their occurrence. Starting from 2011, the provisions were recognised at the level of performance bonds specified in agreements, applied to the value of recognized income.

(p) Revenues

(i) Sale of goods

Revenue form sale of goods in the course of current activities are measured at the fair value of the consideration collected or to be collected less returns, trade discounts and rebates for volume. Revenue is recognised when significant risks and benefits related to the property right were transferred to the client, the recovery of the consideration is probable, the related costs and possible returns of goods may be estimated reliably, the entity is no longer implied in the management of the goods sold and the volume of income can be measured reliably. If it is likely that certain discounts or rebates are granted and their value can be measured reliably, then these are recognised as a reduction in revenue when the sales are recognised.

The time when the transfer of risks and benefits takes place varies depending on the individual terms of sale agreements.

In case of hire purchases or in case the maturity is deferred beyond normal terms, one component of the interest will be recognised.

(ii) Provision of services

Revenue from provision of services is recognised in profit or loss in proportion to the stage of completion of transaction on the reporting date. The stage of completion is measured in connection with the analysis of the executed works.

(iii) Construction contracts

Contract revenues include the initial value established in the contract plus changes in the contracted works, claims and incentive payments to the extent that these are likely to lead to an income and can be measured reliably. When the outcome of a construction contract can be measured reliably, the contract revenues are recognised in profit or loss in proportion to the stage of contract completion. The stage of completion is recognised as percentage of completion method. According to this method, the contract revenues are matched to contract costs incurred in reaching the stage of completion, resulting in the reporting of income, expenses and profit attributable to the proportion of works completed. When the outcome of a construction contract cannot be measured reliably, the contract revenue is recognised only to the extent of costs incurred within the contract that are expected to be recoverable.

Contract expenses are recognised when incurred except for the case when these create an asset related to a future contract activity. An expected loss related to the contract is recognised immediately in profit or loss.

(iv)Rental income

Rental income related to investment property is recognised as revenue, on a straight-line basis over the lease term. The incentives related to lease contracts are recognised as integral part of the total rental income, over the lease agreement term. Rental income from other properties is recognised as other income.

(q) Leases

(i) Assets purchased under lease

Assets held by the Company based on a lease which transfers substantially all risks and benefits related to the property right to the Company, are classified as financial lease. Upon initial recognition, the leased asset is measured at the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for according to the accounting policy applicable to that asset.

The assets held within other leases are classified as operating leases and are not recognised in the Company’s statement of financial position.

(ii) Lease payments

Payments made within operating leases are recognised in profit or loss on a straight-line basis over the lease term. Incentives related to operating leases received are recognised as integral part of the total lease expenses, over the lease term.

Minimum lease payments made within a finance lease are allocated between financial expense and reduction of outstanding liability. Financial expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

(r) Financial income and expenses

Financial income includes interest income on invested funds and other financial income. Interest income is recognised in profit and loss based on accrual-based accounting using the effective interest method.

Financial expenses include interest expense with loans and other financial expenses.

All borrowing costs that are not directly attributable to the acquisition, construction or production of qualifying assets are recognised in profit or loss using the effective interest method.

Foreign exchange gains and losses related to financial assets and liabilities are reported on a net basis either as financial income or as financial expense depending on currency fluctuations: net gain or net loss.

(s) Tax

Income tax expense includes current tax and deferred tax.

Income tax is recognised in the statement of comprehensive income or in other items of the comprehensive income if the tax is related to capital items.

(i) Current tax

Current tax is the tax payable on income earned in the current period, determined based on rates applied on the reporting date and on all adjustments related to the previous periods.

For the financial year ended December 31st, 2017, the income tax rate was of 16% (December 31st, 2016: 16%). The tax rate applicable to income from taxable dividends was of 5% (December 31st, 2016: 5%).

(ii) Deferred tax

Deferred tax is determined by the Company by balance approach for those temporary differences which occur between the tax base of assets and liabilities and their book value, used for reporting in the separate financial statements.

Deferred tax is calculated based on the tax base which is expected to be applicable to the temporary differences when these are reversed, based on the legislation in force on the reporting date.

Receivables and payables with deferred tax are set off only if there is legal right to set off the current payable and receivables against tax and if these are related to tax collected by the same tax authority for the same entity subject to tax or for different tax authorities but that wish to settle current receivables and payables against tax on a net basis or the related assets and liabilities will be simultaneously realised.

Receivable related to deferred tax is recognised by the Company only to the extent that future profits are likely to be realised so as to be used to cover tax losses. Receivable related to deferred tax is revised at the end of each financial year and is reduced to the extent that the related tax benefit is unlikely to be realised. Additional taxes resulting from the distribution of dividends are recognised on the same date with the obligation of dividend payment.

(iii) Tax exposures

In order to determine the value of current and deferred tax, the Company takes into account the impact of uncertain tax positions and the possibility of additional taxes and interests. This measure is based on estimations and assumptions and can imply a series of judgements concerning future events. New information can become available, thus determining the Company to modify its judgement regarding the accuracy of the estimation related to existing tax obligations; such changes of tax obligations have effect on tax expenses in the period when such a determination is carried out.

(t) Earnings per share

The Company presents the basic and diluted earnings per share for ordinary shares. The earnings per share is determined by division of profit or loss attributable to the Company's ordinary shareholders to the weighted average number of ordinary shares related to the reporting period. Diluted earnings per share are determined by the adjustment of the profit or loss attributable to ordinary shareholders and weighted average number of ordinary shares with dilutive effects generated by potential ordinary shares.

(u) Segment reporting

A segment is a separate component of the Company that supplies certain products or services (business segment) or provides products or services in a certain geographic environment (geographic segment) and which is subject to risks and benefits different from those of other segments. On December 31st, 2017 and December 31st, 2016, the Company identified business segments and did not identify significant geographic segments subject to reporting.

Income obtained by segments that are reported to the Company's management (chief operating decision maker) includes items directly attributable to a segment as well items that can be allocated on a reasonable basis. Items not allocated include mainly corporate assets (first and foremost the Company's headquarters), expenses related to the central office, receivables and payables related to income tax, earnings on disposal of assets, income and expenses from provisions.

(v) Contingent assets and liabilities

Contingent liabilities are not recognised in financial statements. These are presented except for the case when the possibility of an outflow of resources representing economic benefits is remote.

A contingent asset is not recognised in the financial statements but presented when an inflow of economic benefits is probable.

(w) Subsequent events

The financial statements reflect the events after the end of the year, events that provide additional information about the Company's position on the reporting date or those that indicate a possible infringement of the going concern principle (events that determine adjustments). Events after the end of the year which are not events that determine adjustments are presented in notes if considered significant.

(x) Comparative figures

The statement of financial position for the financial year ended on December 31st, 2017 presents comparability with the statement of financial position for the periods ended on December 31st, 2016. The statement of comprehensive income for the financial year ended on December 31st, 2017 presents comparability with the statement of comprehensive income as at December 31st, 2016.

(y) New standards and interpretations

The following new standards, *amendaments brought to the Standards* and Interpretations are not mandatorily in force for annual periods starting on January 1st, 2017 or thereafter, and have not been applied to prepare them for individual financial statements. The entity intends to adopt these rulings upon their entry into effect.

1. Standards, Interpretations and amendments to published standards that have not yet entered into force for annual periods beginning after January 1st, 2017

- IFRS 15 Revenues from contracts with clients and Clarifications on IFRS 15 Revenues from contracts with clients)

(In force for annual intervals, beginning as of or after January 1st, 2018) Prior application of this date is permitted).

The new standard provides a framework that replaces the existing provisions on income recognition in IFRS. Entities will adopt a five-step model to determine when to recognize revenue, and for what value. The new model specifies that earnings should be recognized when (or as) an entity assigns control on the goods or services to a customer at the amount the entity expects to be entitled to. If certain criteria are met, the revenue is recognized:

- *As time passes, in a manner that describes the performance of the entity; or*
- *at a certain time, when control of the goods or services is transferred to the client*

IFRS 15 also sets out the principles that an entity is going to apply to provide qualitative and quantitative information useful to users of the financial statements about the nature, amount, planning and uncertainty of cash flows and income associated with a customer contract .

Clarifications on IFRS 15 clarify some of the requirements of the Standard and provide additional transitional exemptions for companies that implement the new standard.

The amendments clarify how:

- *identifies a contractual obligation - the promise to transfer a good or service to a client - into a contract;*

- *shall determine whether a company is a principal (supplier of goods or services) or agent (responsible for the organization that the good or service is provided); and*
- *shall determine whether the revenue from a license must be recognized at a certain time or in time.*

The amendments also provide entities with two additional practical solutions:

- *An entity does not have to rewrite contracts that are finalized at the beginning of the earliest period presented (for entities using only the full retrospective method);*
- *For contracts amended before the beginning of the earliest period presented, an entity should not retroactively reverse the contract, but instead reflect the aggregate effect of all changes occurring before the earliest date presented (also for entities that recognize the cumulative effect of initial application of the standard at the time of the original application).*

Although the initial assessment of the potential impact of IFRS 15 on the entity's financial statements, it has not been yet fully completed, the management does not expect the new standard, when applied for the first time, to have a material impact on the entity's financial statements. Most likely, the moment of recognition and the entity's assessment of revenue will not change after the adoption of IFRS 15 due to the nature of the entity's operations and the types of revenue it obtains.

- IFRS 9 Financial instruments (2014)

(In force for annual intervals, beginning as of or after January 1st, 2018; shall be applied in retrospective, with some exceptions). Restoration of previous periods is not necessary and it is only allowed if the information is available without a retroactive interpretation. Prior application of this date is permitted).

This Standard replaces the provisions of IAS 39, Financial Instruments: Recognition and measurement, except for the exception in IAS 39 on hedging against exposure to fair value interest rate risk on a portfolio of financial assets or financial liabilities to protect the fair value of a rate exposures, entities also having the choice of policy accounting for the application of IFRS 9 hedge accounting requirements or the continued application of existing hedge accounting requirements in IAS 39 for all hedge accounting until the entry into force of the IASB standard on hedging macroeconomic accounting.

Although the basis for valuation for financial assets - depreciated, fair value through other comprehensive income (FVOCI) and the fair value through profit or loss (FVTPL) - are similar to IAS 39, greatly vary from the classification criteria in the corresponding rating category.

A financial asset is measured at an amortized cost if the following two conditions are met:

- *assets are held in a business model whose objective is to hold assets for the purpose of collecting contractual cash flows; and,*
- *its contractual terms give rise to cash flows, at specified times, representing only the principal and the interest on the unpaid principal.*

Otherwise, for example, in the case of equity instruments of other entities, a financial asset will be measured at fair value.

Earnings and losses from the revaluation of financial assets at fair value are recognized in the income statement except for assets held in a business model, the objective of which is achieved both by collecting contractual cash flows and by selling financial assets - these earnings and losses from revaluation are recognized in the OCI.

In addition, for a non-tradable equity instrument, a company may elect to irrevocably present subsequent changes in fair value (including foreign exchange gains and losses) in other irrevocable items of comprehensive income. These are not reclassified in the profit and loss account under any form.

In the case of debt instruments valued at FVOCI, the interest income, the expected loss from depreciation and the gains or losses on foreign exchange differences are recognized in the income statement in the same way as for assets measured at the depreciated cost. Other earnings and losses are recognized in other comprehensive income items and are reclassified in the profit or loss account at the time of recognition.

The depreciation model in IFRS 9 replaces the IAS 39's 'underwriting loss' model with a 'projected loss of credit' (ECL) model, which means that there will no longer be a need for a loss event to occur before the recognition of an adjustment for impairment.

The new depreciation model will apply to financial assets measured at amortized cost or FVOCI, except for investments in equity instruments and contingent assets.
In accordance with IFRS 9, the provisions for losses will be measured on one of the following grounds:

- *ECL for 12 months: these ECLs result from potential non-payment events within 12 months of the reporting date; and*
- *ECL for life: these ECLs result from all possible non-payment events over the expected life of a financial instrument.*

IFRS 9 includes a general new pattern of hedge accounting that more closely aligns the hedge accounting with risk management. Types of hedging relationships - fair value, cash flows and net investment in foreign operations - remain unchanged, but additional professional judgment will be required.

The Standard contains new requirements to achieve, continue and discontinue the hedge accounting and allows for additional exposures to be designated as covered items.

Additional disclosures of information are required on the entity's risk management and hedging activities.
The entity expects that the new standard, when first applied, will have a material impact on the financial statements. The company is in the process of defining the new depreciation calculation methods.

- ***Amendments brought to IFRS 4: Application IFRS 9 Financial instruments with IFRS 4 Insurance agreements***

(In force for annual intervals, beginning as of or after January 1st, 2018; implementation prior to this date is allowed).
The amendments address the concerns related to the implementation of IFRS 9 before the implementation of the IFRS 4 replacement standard currently developed by the IASB. The changes bring two optional solutions. One solution is a temporary relief from IFRS 9, effectively postponing its application for some insurers. The other is an overlap approach presentation to mitigate the volatility that may occur when applying IFRS 9 before the next standard on insurance contracts.
The entity does not anticipate an impact on the financial statements.

- ***IFRS 16 Leasing***

(In force for annual intervals, beginning as of or after January 1st, 2019). Prior application of this date is permitted if the entity also applies IFRS 15).

IFRS 16 replaces IAS 17 Leasing and the corresponding interpretations. The standard eliminates the current accountancy model for tenants and instead requires companies to recognize most of the lease contracts in a single model, eliminating the distinction between operating and financial leasing.

In accordance with IFRS 16, a contract is or contains a lease if it transmits the right to control the use of an asset identified for a period of time in return for consideration. In the case of this type of contract, the new model requires a tenant to recognize an asset with the right to use the underlying asset and a lease liability. The asset on the right of use is depreciated and the debt accrues interest. This will result in a pattern of greater expense recognition at the beginning of contracts for most leases, even when the tenant pays constant annual rents.
The new standard introduces a number of exceptions from the scope for users that include:

- *leasing contracts with a rental period of 12 months or less, that do not include acquisition options and*
- *leasing contracts where the underlying asset is of low value ('low-value' leasing transactions).*

The owner's accounting will remain largely unaffected by the introduction of the new standard, and the distinction between operating and financial leases will be retained.
The entity is undergoing an analysis of the impact for the new standard on financial statements.

- ***Annual improvements brought to IFRS cycle 2014-2016***

(In force for annual intervals, beginning as of or after January 1st, 2018, except for IFRS 12 amendments which are applicable for annual intervals as of or after January 1st, 2017)
The improvements brought to IFRS (2014-2016) includes 3 amendments to the standards. The main changes have referred to:

- *the removal of short-term reliefs for first-time adopters (IFRS 1 First-time adoption of international financial reporting standards) regarding, inter alia, the transition from IFRS 7 Financial Instruments: information to be provided on comparative disclosures and transfers of financial assets and IAS 19 Employee benefits; Exemptions were removed because they were available to entities only for past reporting periods;*
- *clarifying the requirements in IFRS 12 Presentation of interests in other entities except presentation of financial statements outlined in accordance with paragraphs B10-B16 of that standard) which applies to entities that have an interest in subsidiaries or joint ventures or associates or unconsolidated structured entities that are classified as held for sale or discontinued operations in accordance with IFRS 5 Non-current assets held for sale and discontinued operations; and*

clarify that the choice of exemption from applying the equity method in accordance with IAS 28 Investments in associates and joint ventures shall be made separately for each associate or joint venture in the initial recognition of an associate or joint venture.

It is expected that none of these changes will have a significant impact on the Entity, for instance: because the Entity does not have interests in subsidiaries, joint ventures, associates or unstructured structured entities that are classified as held for sale or discontinued operations, and the Entity does not use an exemption from the equity method of justifying the interest or associates and joint ventures.

2. Standards and interpretations which have not yet been adopted by the European Union

- ***Amendments to IFRS 10 and IAS 28 Sale or contribution of assets between an investor and the associate or joint venture***

(The European Commission has decided to postpone the approval for an indefinite period.)

The amendments clarify that in a transaction involving an associate or joint venture, the degree of recognition of earning or loss depends on the extent to which the assets sold or contributed constitute an enterprise, so that:

- *a gain or loss is fully recognized when a transaction between an investor and the associate or joint venture involves the transfer of an asset or of the assets constituting a business (whether incorporated into a subsidiary or not) over time, whereas*
- *a gain or loss is partially recognized when a transaction between an investor and an associate or an associate or joint venture involve assets which do not constitute business, whether incorporated into a subsidiary or not*

The entity expects the amendments, when applied for the first time, to have no material impact on the financial statements.

- **IAS 17** ***Insurance contracts***

(In force for annual intervals, beginning as of or after January 1st, 2021; applicable in perspective). Prior application of this date is permitted).
This ruling has not been approved by the EU yet.
IFRS 17 solves the comparability issues created by IFRS 4, requiring all insurance contracts to be accounted for consistently to the benefit of both investors and insurance companies. Insurance liabilities will be accounted for using the current value instead of the historical cost.
The entity expects the amendments, when applied for the first time, to have no material impact on the financial statements of the company, as the entity does not carry out activity in the insurance sector.

- ***IFRIC 22 Foreign currency transactions and the consideration paid in advance***

(In force for annual intervals, beginning as of or after January 1st, 2018) Prior application of this date is permitted).
This interpretation has not been approved by the EU yet.
IFRIC 22 provides for the exchange rate requirements used to record foreign currency transactions (such as income transactions) when the payment is made or received in advance and clarifies that the transaction date is the date on which the company initially recognizes the prepaid or deferred income paid in advance. For transactions involving multiple payments or collections, each payment or collection gives rise to separate transaction data.
The entity expects that the Interpretation, when applied for the first time, will not have a material impact on the financial statements as the Entity uses the exchange rate from the transaction date for the initial recognition of the non-cash asset or non-monetary liability resulting from the payment or collection of advance payments.

- ***IFRIC 23 Uncertainties about the treatment of corporate tax***

(In force for annual intervals, beginning as of or after January 1st, 2019). Prior application of this date is permitted).
This interpretation has not been approved by the EU yet.

IFRIC 23 clarifies the accounting for the profit tax treatments that have not yet been accepted by the tax authorities, while at the same time aiming at increasing transparency. According to IFRIC 23, the key-test is whether the tax authority is likely to accept the tax treatment chosen by the entity. If the tax authorities are likely to accept the uncertain tax treatment, then the tax amounts recorded in the financial statements are consistent with the tax statement, with no uncertainty reflected in the current and deferred tax assessment. Otherwise, taxable income (or tax loss), tax bases and unused tax losses are determined in a way that predicts better the settlement of uncertainty, using either the most probable value or the expected value (probability-weighted amount). An entity must assume that the tax authority will examine the position and will be fully aware of all relevant information.
The entity does not expect for the Interpretation, when applied for the first time, to have a material impact on the financial statements, since the entity does not operate in a complex multinational fiscal environment/does not have significant uncertain tax positions.

- **Amendments brought to IFRS 2:** ***Classification and assessment of transactions with share-based payment***

(In force for annual intervals, beginning as of or after January 1st, 2018; applicable in perspective). Prior application of this date is permitted).

These annual amendments have not been approved by the EU yet.
The amendments clarify the accounting of payments based on shares in the following areas:

- *the effects of the vesting conditions or their absence on the valuation of cash-settled share-based payments;*
- *transactions with share-based payment, with a net settlement characteristic to withhold tax liabilities; and*

a change in the terms and conditions of a share-based payment that changes the tradability classification from cash settled to equity settled.
The entity expects the amendments, when applied for the first time, to have no material impact on the financial statements, as the entity does not enter into share-based transaction.

- ***Amendments brought to IAS 40 Property investment transfers***

(In force for annual intervals, beginning as of or after January 1st, 2018) Prior application of this date is permitted).
These annual amendments have not been approved by the EU yet.
Amendments clarify transfers to or from investment properties:

- *a transfer to or from investment properties should be made only when there has been a change in the use of the property; and*
- *such a change of use would require an assessment if the property qualifies as an investment property.*

The entity expects the amendments to have no material impact on the financial statements, as the entity assigns a real estate property by and from investment properties only when there is a real change in use.

- Amendments to IFRS 9: Advance payments with negative compensation
(In force for annual intervals, beginning as of or after January 1st, 2019)
These amendments have not been approved by the EU yet.
These amendments address the concerns about accounting for financial assets that include specific early payment options. In particular, the concern was related to how a company would classify and measure a debt instrument if the borrower would be allowed to pay the instrument in advance, at a lower amount than the principal and the interest due. Such an early payment amount is often described as including 'negative compensation'. By applying IFRS 9, a company would measure a financial asset with the so-called negative compensation at fair value through profit or loss.
The amendments allow entities to measure at depreciated cost certain financial assets payable in advance with the so-called negative compensation.

The entity expects the amendments to have no material impact on the financial statements, as the entity does not have prepayable financial assets, with negative compensation.

- ***Amendments to IAS 28 Long-term interests in associates and joint ventures***

(In force for annual intervals, beginning as of or after January 1st, 2019)
These amendments have not been approved by the EU yet.

The amendments clarify that a venture capital fund or mutual fund, an investment unit and similar entities may, at their initial recognition, choose to invest in an associate or joint venture, at fair value, through profit or loss, separately for each associate or joint venture.

The financial statements of the entity will not be impaired because the company is not a venture capital have a mutual investment fund.

- ***Annual improvements brought to IFRS cycle 2015-2017***

(In force for annual intervals, beginning as of or after January 1st, 2019)
These annual improvements have not been approved by the EU yet.

The improvements brought to IFRS (2015-2017) include 4 amendments to the standards. The main changes have referred to:

- *clarifying that the entity reassesses its previously held interest in a joint operation when it holds control on the activity in accordance with IFRS 3 Business combinations;*
- *clarifying that the entity does not reassess the interest previously held in a joint operation when it holds control on the joint business in accordance with IFRS 11 Joint commitments;*
- *clarifying that the entity must always account for the income tax consequences of dividend payments in profit or loss, other comprehensive income or equity, depending on the place where the entity initially recognized the earlier transactions or events that generated distributed profits; and*
- *clarifying that the entity must exclude from the funds borrowed by the entity, in general, the loans specifically made for the purpose of obtaining an active long-term production cycle, until the completion of all the activities necessary to prepare that asset for the intended use or sale as the loans made specifically with the purpose of obtaining a long-term asset should not apply to initially made loans in order to obtain an active long-term production cycle, if the asset is ready for the intended use or sale.*

The entity expects the amendments to have no material impact on the financial statements.

- ***Amendments brought to IAS 19: Employee benefits***

(In force for annual intervals, beginning as of or after January 1st, 2019)

These annual amendments have not been approved by the EU yet.
The amendments require the entity to use current and updated assumptions when there is a change in a plan, as well as a correction, discount or settlement, to determine the current service cost and net interest for the remainder of the reporting period after the plan has been amended.
The entity expects these changes to have no impact on the financial statements, as the entity does not offer employee pension plans.

4. Determination of fair value
Certain accounting policies of the Company and requirements related to the disclosure of information require the determination of fair value for the financial and non-financial assets and liabilities. In this case, the fair value of assets and liabilities is determined according to IFRS 13.

5. Business segments
The Company has three reportable segments, namely:

- Transilvania Logistic Park: includes the revenues and expenses corresponding to the lease by third parties of premises owned by the Company, namely warehouses from Transilvania Logistic Park - located in Cluj Napoca, 10, Orastiei street,
- TRC PARK Cluj : includes income and expenses related to the lease by third parties of premises owned by the Company - warehouses in TRC Park CLuj- located in the TETAROM III Jucu Industrial Park, town of Juc-Herghelie, no. 69B,
- Construction works: include income and expenses related to service provisions of construction and installation works including construction and installation works carried out by the Company itself, to support own development program.

All other segments include ancillary activities providing both internal and external services: sports facility, vehicle and machinery related services and other various activities.

The Company applies the same principle of management both for reportable segments and for business segments included in "All other segments". Thus, at the beginning of each financial year the Company draws up an income and expenditure budget by each business segment. A report is drawn up monthly for the Board of Directors in which income, expenses and result by segment are analysed compared to the values provided in the income and expenditure budget of each business segment. Following the analysis of the report, corrective measures are taken in case there are deviations from the budget. Further on, if applicable, the Company revises the income and expenditure budget during the financial year to reflect the changes both in internal and external conditions.

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(i) Information on reportable segments

Reportable segments in Ron	**Transilvania Logistic Park**		**TRC Park Cluj**		**Construction works**		**All other segments**		**Total**	
	2017	**2016**	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**
Income from foreign clients	20,091,346	19,220,885	3,888,624	90,681	0	0	1,154,307	1,480,271	25,134,277	20,791,837
Income from transactions with other segments	0	0	0	0	19,727,868	33,906,612	933,750	870,870	20,661,618	34,777,482
Income of reportable segment	**20,091,346**	**19,220,885**	**3,888,624**	**90,681**	**19,727,868**	**33,906,612**	**2,088,057**	**2,351,141**	**45,795,895**	**55,569,319**
Profit of the reportable segment before tax	**6,454,199**	**5,642,020**	**121,639**	**-603,128**	**573,099**	**1,520,222**	**-314,506**	**39,297**	**6,834,431**	**6,598,411**
Interest expenses	2,048,426	2,108,971	684,764	0	0	0	39,857	77,014	**2,773,047**	**2,185,985**
Amortization and depreciation expenses	6,925,673	6,691,228	2,038,265	189,176	0	0	621,089	653,065	**9,585,027**	**7,533,469**
Other important items of expenses										
Local tax expenses	716,762	813,187	7,649	992	0	0	159,258	139,387	**883,669**	**953,566**
Utility expenses	2,337,193	2,252,340	307,949	19,818	0	2,488	78,696	88,075	**2,723,838**	**2,362,721**
Wage expenses	228,402	327,788	3,056	0	0	0	158,378	158,837	**389,836**	**486,625**

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Reconciliation of income, profit or loss related to reportable segments

Income
in RON

	2017	2016
Total income related to the reportable segments	43,707,838	53,218,178
Income related to other segments	2,088,057	2,351,141
Elimination of income from transactions with other segments	-20,661,618	-34,777,482
Consolidated income	**25,134,277**	**20,791,837**

Profit or loss
in RON

	2017	2016
Total profit or loss related to the reportable segments	7,148,937	6,559,114
Profit or loss from other segments	-314,506	39,297
Unallocated amounts:		
Other income	587,805	4,446,026
Other expenses	-7,013,353	-5,560,784
Profit or loss before tax	**408,883**	**5,483,653**

2017
Other significant items

in Ron	**Total reportable segments**	**Adjustments**	**Total company**
Interest expenses	2,773,047	83,741	2,856,788
Amortization and depreciation expenses	9,585,027	134,859	9,719,886
Other important items of expenses			
Local tax expenses	883,669	73,274	956,943
Utility expenses	2,723,838	54,325	2,778,163
Wage expenses	389,836	1,081,830	1,471,666

2016
Other significant items

in Ron	**Total reportable segments**	**Adjustments**	**Total company**
Interest expenses	2,185,985	569,322	2,755,307
Amortization and depreciation expenses	7,533,469	1,239,180	8,772,649
Other important items of expenses			
Local tax expenses	953,566	12,735	966,301
Utility expenses	2,362,721	30,292	2,393,013

Wage expenses	486,625	696,800	1,183,425

6. Tangible assets

in Ron	**Land and land development**	**Buildings**	**Technical installations and machines**	**Other installations, equipments and furniture**	**Fixed assets in progress**	**Total**
Cost						
Balance on January 1st, 2016	**5,072,939**	**8,607,649**	**5,022,336**	**457,080**	**0**	**19,160,004**
Inflows	0	0	830,160	21,449	0	**851,609**
Transfers from investment properties	0	46,410	2,092,462	0	0	**2,138,872**
Transfers to inventories	0	0	0	0	0	**0**
Outflows	0	0	-133,433	0	0	**-133,433**
Balance on December 31st, 2016	**5,072,939**	**8,654,059**	**7,811,525**	**478,529**	**0**	**22,017,052**
Balance on January 1st, 2017	**5,072,939**	**8,654,059**	**7,811,525**	**478,529**	**0**	**22,017,052**
Inflows	0	581,093	2,399,565	164,423	0	**3,145,081**
Transfers from investment properties	0	0	0	0	0	**0**
Transfers to inventories	0	0	0	0	0	**0**
Outflows	0	0	-869,041	-29,860	0	**-898,901**
Balance on December 31st, 2016	**5,072,939**	**9,235,152**	**9,342,049**	**613,092**	**0**	**24,263,232**
Accumulated amortization						
Balance on January 1st, 2016	**16,053**	**5,839,115**	**1,560,258**	**202,908**	**0**	**7,618,334**
Amortization during the year	2,670	449,299	837,836	45,825	0	1,335,630
Amortization outflows	0	0	-124,554	0	0	-124,554
Balance on December 31st, 2016	**18,723**	**6,288,414**	**2,273,540**	**248,733**	**0**	**8,829,410**

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Balance on January 1st, 2017	**18,723**	**6,288,414**	**2,273,540**	**248,733**	**0**	**8,829,410**
Amortization during the year	2,670	466,723	1,178,296	49,151	0	1,696,840
Amortization outflows	0	0	-539,480	-22,918	0	-562,398
Balance on December 31st, 2017	**21,393**	**6,755,137**	**2,912,356**	**274,966**	**0**	**9,963,852**
Net book value						
Balance on January 1st, 2016	**5,056,886**	**2,768,534**	**3,462,078**	**254,172**	**0**	**11,541,670**
Balance on January 31st, 2016	**5,054,216**	**2,365,645**	**5,537,985**	**229,796**	**0**	**13,187,642**
Balance on January 1st, 2017	**5,054,216**	**2,365,645**	**5,537,985**	**229,796**	**0**	**13,187,642**
Balance on January 31st, 2017	**5,051,546**	**2,480,015**	**6,429,693**	**338,126**	**0**	**14,299,380**

On December 31st, 2017, the Company has registered no loss from impairment of fixed assets (RON 0 on December 31st, 2016).

The net book value of the assets purchased through financial lease is of RON 677,463 on December 31st, 2017, and RON 1,232,054 on December 31st, 2016, respectively.

7. Investment properties

in Ron

cost	**Investment properties**	**Investment properties in progress**	**Total**
Balance on January 1st, 2016	**178,804,938**	**4,038,218**	**182,843,156**
Inflows	21,172,961	34,087,763	**55,260,724**
Transfers from investments in progress	30,447,970	-30,447,970	**0**
Transfer to inventories	0	0	**0**
Transfer to tangible assets	0	-2,138,873	**-2,138,873**
Outflows	-23,602,876	-1,192	**-23,604,068**
Balance on December 31st, 2016	**206,822,993**	**5,537,946**	**212,360,939**
Balance on January 1st, 2017	**206,822,993**	**5,537,946**	**212,360,939**
Inflows	7,528,254	20,137,142	**27,665,396**
Transfers from investments in progress	24,543,740	-24,543,740	**0**
Transfer to inventories	0	0	**0**
Transfer to tangible assets	0	-469,125	**-469,125**
Outflows	0	0	**0**
Balance on December 31st, 2017	**238,894,987**	**662,223**	**239,557,210**
Accumulated amortization			
Balance on January 1st, 2016	**48,377,405**	**0**	**48,377,405**
Amortization during the year	6,233,691	0	6,233,691
Amortization outflows	-127,380	0	-127,380
Balance on December 31st, 2016	**54,483,716**	**0**	**54,483,716**
Balance on January 1st, 2017	**54,483,716**	**0**	**54,483,716**
Amortization during the year	7,933,798	0	7,933,798
Amortization outflows	0	0	0
Balance on December 31st, 2017	**62,417,514**	**0**	**62,417,514**
Net book value			
Balance on January 1st, 2016	**130,427,533**	**4,038,218**	**134,465,751**
Balance on December 31st, 2016	**152,339,277**	**5,537,946**	**157,877,223**
Balance on January 1st, 2017	**152,339,277**	**5,537,946**	**157,877,223**
Balance on December 31st, 2017	**176,477,473**	**662,223**	**177,139,696**

On December 31st, 2017, the Company has registered no loss form the impairment of investment properties (RON 0 on December 31st, 2016).

8. Intangible assets

cost	**Other intangible assets**
Balance on January 1st, 2016	**258,434**
Inflows	22,329
Outflows	0
Balance on December 31st, 2016	**280,763**
Balance on January 1st, 2017	**280,763**
Inflows	78,423
Outflows	0
Balance on December 31st, 2017	**359,186**
Accumulated amortization	
Balance on January 1st, 2016	**250,268**
Amortization during the year	9,202
Amortization outflows	
Balance on December 31st, 2016	**259,470**
Balance on January 1st, 2017	**259,470**
Amortization during the year	17,955
Amortization outflows	0
Balance on December 31st, 2017	**277,425**
Net book value	
Balance on January 1st, 2016	**8,166**
Balance on January 31st, 2016	**21,293**
Balance on January 1st, 2017	**21,293**
Balance on January 31st, 2017	**81,761**

On December 31st, 2017, the Company has registered no loss from impairment of intangible assets (RON 0 on December 31st, 2016).

9. Held-to-maturity investments

	December 31st, 2017	**December 31st, 2016**
Titles held in Novis Plaza SRL	1,375,790	190
Titles held in ABC Facility Management	190	190
Titles held in Invincible Real Estate SRL	190	190
Securities held in SCS CFR 1907 Cluj SA	4,360,891	4,360,891
Securities held in Melisa Prod SRL	172,774	172,774
Securities held in SC Somes Balastiere SA	3,129	3,129

Adjustments for loss of value in long-term investments	-3,129	-3,129
Total	**5,909,835**	**4,534,235**

The Company holds the following shares:

- 95% of the share capital of SC Melisa Prod SRL;
- 95% of the share capital of SC Novis Plaza SRL;
- 95% of the share capital of SC ABC Facility Management;
- 95% of the share capital of SC Invincible Real Estate;
- 4.6% of the share capital of SCS CFR 1907 Cluj SA; and
- 0.94% of the share capital of SC Someș Balastiere SA.

10. Inventories

	December 31st, 2017	December 31st, 2016
Finished products and merchandise	187,314	276,761
Raw materials and consumables	128,547	49,329
Total	**315,861**	**326,090**

11. Trade receivables and related

	December 31st, 2017	December 31st, 2016
Clients	2,844,309	5,589,675
Collaterals paid to suppliers	91,601	0
Loans granted to related parties	12,350,552	8,599,702
Debtor suppliers	421,525	406,048
Advance payments for tangible assets	45,960	22,369
Adjustments for impairment of receivables	-1,037,152	-962,217
Total	**14,716,795**	**13,655,577**

Long-term trade receivables	478,399	393,656
Loans granted to related parties - on a long-term	10,930,552	8,599,702
Short-term trade receivables	1,887,844	4,662,219
Loans granted to related parties - on a short-term	1,420,000	0

12. Cash and cash equivalents

	December 31st, 2017	December 31st, 2016
Current accounts at banks	4,975,255	2,677,338
Cash on hand	5,261	7,212
Total	**4,980,516**	**2,684,550**

On December 31st, 2017 there is no cash restricted at use.

13. Other receivables

	December 31st, 2017	December 31st, 2016
Various debtors	629,278	900,767
Receivables against the state budget	303,261	4,096,639
Adjustments for impairment of receivables - various debtors	-478,007	-478,007
Total	**454,532**	**4,519,399**

14. Share capital and reserves

a) The Company's shareholder structure

December 31st, 2017	**No. of shares**	**Amount (RON)**	**%**
Timofte Andrei Iancu	461,635	15,233,955	57.72
Timofte Mircea	285,072	9,407,376	35.65
Other shareholders	53,044	1,750,452	6.63
Total	**799,751**	**26,391,783**	**100**

December 31st, 2016	**No. of shares**	**Amount (RON)**	**%**
Timofte Andrei Iancu	461,635	15,233,955	57.72
Timofte Mircea	285,072	9,407,376	35.65
Other shareholders	53,044	1,750,452	6.63
Total	**799,751**	**26,391,783**	**100**

b) Reconciliation of share capital

	December 31st, 2017	December 31st, 2016
Nominal share capital	26,391,783	26,391,783
Effect of hyperinflation-IAS 29	27,019,805	27,019,805
Restated share capital	**53,411,588**	**53,411,588**

c) Dividends

In 2017, the company granted the following dividends:

- according to the OGMS as of August 10th, 2017, dividends amounting to RON 959,701 were granted, the gross dividend/share being RON 1.2. The payment of dividends started on September 19th, 2017;
- according to the OGMS as of November 6th, 2017, dividends amounting to RON 1,319,589.15 were granted, the gross dividend/share being RON 1.65. The payment of dividends started on December 14th, 2017;

In 2016, the company did not pay dividends.

d) Reserves

	December 31st, 2017	December 31st, 2016
Legal reserve	2,085,986	2,071,222
Other reserves-Tax relief	4,763,820	4,501,208
Other reserves	21,350	21,350
Total reserves	**6,871,156**	**6,593,780**

According to legal requirements, the Company establishes legal reserves of 5% from the profit registered up to 20% of the share capital. Legal reserves cannot be distributed to the shareholders.
Other reserves include reserves established by the distribution of profit to the previous periods as well as reserves established for tax relief according to the legal provisions in force.

15. Loans

	December 31st, 2017	December 31st, 2016
Long-term loans		
Long-term bank loans	101,426,248	72,946,122
Finance lease liabilities	211,511	331,618
Other long term liabilities	1,601,817	2,228,451
Total	**103,239,576**	**75,506,191**
Short-term loans		
Current portion of long-term bank loans	1,753,498	1,077,163
Short-term bank loans	0	4,500,000
Current portion of finance lease liabilities	253,165	522,526
Current portion of shareholder loan	0	4,071
Current portion of other long-term loans	1,781,852	2,052,451
Total	**3,788,515**	**8,156,211**

Other long-term liabilities include performance bonds held to subcontractors for services agreements concluded with them. Part of these bonds are returned at the end of the services agreements, that is, at the completion of work, another part is returned at the end of the warranty period agreed by contract.
Performance bonds held to subcontractors' amount to RON 3,356,748 on December 31st, 2017, and RON 3,264,500 on December 31st, 2016, respectively.

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On the reporting dates the Company has in balance the following credits, according to the table below:

No.	Bank	Date when the loan was granted	Loan value	Currency	Interest rate	Date of final maturity	Principal in balance on December 31st, 2017-equivalent in RON	Principal in balance on December 31st, 2016-equivalent in RON
1	CEC Bank SA	22.08.2016	8,142,000	EUR	Euribor 6M+bank's margin	21.08.2031	36,191,630.93	21,404,414.58
2	CEC Bank SA	21.08.2015	6,514,284	EUR	Euribor 6M+bank's margin	20.08.2030	29,981,835.10	28,958,474.69
3	CEC Bank SA	21.08.2015	3,900,000	EUR	Euribor 6M+bank's margin	20.08.2030	18,055,413.94	17,641,273.45
4	CEC Bank SA	21.08.2015	1,078,129	EUR	Euribor 6M+bank's margin	20.08.2030	4,949,198.43	4,029,306.59
5	CEC Bank SA	22.08.2016	493,160	EUR	Euribor 6M+bank's margin	21.08.2031	1,931,292.20	1,989,814.97
6	CEC Bank SA	20.12.2017	869,953	EUR	Euribor 6M+bank's margin	19.12.2025	0.00	0.00
7	CEC Bank SA	21.08.2015	4,500,000	RON	ROBOR 6 M+bank's margin	20.08.2018	4,500,000.00	4,500,000.00
8	CEC Bank SA	31.08.2017	9,000,000	RON	ROBOR 6 M+bank's margin	30.08.2022	7,345,759.28	0.00
	Total						**102,955,129.88**	**78,523,284.28**

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16. Deferred tax liabilities

Deferred tax liabilities on December 31st, 2017 are presented in the following table

December 31st, 2017	**Assets**	**Liabilities**	**Net**
Tangible assets	72,235,213	0	72,235,213
Held-to-maturity investments	-3,129	0	-3,129
Inventories	95,619	0	95,619
Trade receivables	-628,173	0	-628,173
Other receivables	-478,006	0	-478,006
Total	**71,221,524**	**0**	**71,221,524**
Net temporary differences- rate 16%			71,221,524
Deferred profit tax liabilities			**11,395,444**

December 31st, 2016	**Assets**	**Liabilities**	**Net**
Tangible assets	72,732,383	0	72,732,383
Held-to-maturity investments	-3,129	0	-3,129
Inventories	119,018	0	119,018
Trade receivables	-1,091,582	0	-1,091,582
Deferred income	0	-8,633	-8,633
Total	**71,756,690**	**-8,633**	**71,748,057**
Net temporary differences- rate 16%			71,748,057
Deferred profit tax liabilities			**11,479,689**

17. Provisions

	2017	**2016**
Balance at the beginning of the period	83,126	126,831
Provisions established during the period	0	0
Provisions used during the period	0	-43,705
Balance at the end of period	**83,126**	**83,126**
Long-term provisions	83,126	83,126
Short-term provisions	0	0

Provisions are established for performance bonds granted to beneficiaries of the construction contracts according to the contractual clauses.

18. Trade payables

	December 31st, 2017	December 31st, 2016
Trade payables	4,860,146	5,043,611
Advance payments received	980,071	1,247,007
Total trade payables	**5,840,217**	**6,290,618**

Advance payments received represent mainly rentals paid in advance by clients upon signing the lease contracts for premises.

19. Other payables

	December 31st, 2017	December 31st, 2016
Employee payables	150,596	142,274
Current tax to be paid	0	0
Payables to state budged	136,166	75,636
Dividends to be paid	156,627	496,300
Various creditors and other payables	1,300,378	757,799
Total	**1,743,767**	**1,472,009**

20. Earnings per share

Basic earnings per share were calculated based on profit attributable to ordinary shareholders and the weighted average number of ordinary shares:

	December 31st, 2017	December 31st, 2016
Profit attributable to ordinary shareholders	277,376	4,905,037
Weighted average number of ordinary shares	799,751	799,751
Basic earnings per share	**0.35**	**6.13**

Diluted earnings per share are equal to basic earnings per share since the Company did not issue potential ordinary shares.

21. Income from turnover

	2017	2016
Income from sale of finished products	73,294	80,434
Income from royalties, tenancies and leases	24,651,048	20,014,080
Income from provided services	40,100	380,181
Income from various activities	99,914	63,129
Income from sale of merchandise	258,888	252,253
Income from sale of residual products	11,033	1,760
Total	**25,134,277**	**20,791,837**

22. Other income

	2017	2016
Net gain form sale of tangible assets	0	1,498,871
Income from compensations, fines and penalties	174,022	101,578
Other operating income	439,479	285,638
Total	**613,501**	**1,886,087**

23. Expenses with raw materials and consumables

	2017	2016
expenses with raw materials and consumables	257,961	370,543
other material expenses	174,676	72,727
other external expenses-electricity and water	2,778,163	2,393,013
Total	**3,210,800**	**2,836,283**

24. Personnel related expenses

	2017	2016
Wage expenses	1,471,666	1,183,425
Expenses with food vouchers granted	66,866	69,553
Expenses with insurance and social protection	355,930	295,071
Total	**1,894,462**	**1,548,049**

In 2017, the number of employees in the company was 34, of which 2 persons in the executive management and 19 persons in the administrative personnel.
In 2016, the number of employees in the company was 31, of which 2 persons in the executive management and 16 persons in the administrative personnel.

25. Amortization and depreciation expenses

	2017	2016
Expenses with amortization of fixed assets	9,648,594	7,571,734
Expenses with depreciation of current assets-receivables	112,560	1,210,137
Income from reversal of impairment of current assets	-41,268	-9,222
Total	**9,719,886**	**8,772,649**

26. Other operating expenses

	2017	2016
Losses from disposal of non-current assets	178,536	0
Expenses with fines, damages and penalties	127,270	390,508
Sponsorship expenses	32,000	12,000
Expenses related to other taxes and duties	956,943	1,021,949
Other operating expenses	-565,524	-1,586,528
Total	**729,225**	**-162,071**

27. Financial income and expenses

Income from financial activity	**2017**	**2016**
Interest income	4,737	49,731
Earnings from short-term financial investments assigned	0	2,828,436
Other financial income	0	0
Total	**4,737**	**2,878,167**

Expenses related to financial activity	**2017**	**2016**
Interest expenses	2,856,788	2,755,307
Net exchange loss	2,358,418	619,362

Total	**5,215,206**	**3,374,669**

28. Income tax expenses

	2017	2016
Current income tax		
Current income tax expenses	203,927	814,183
Expenses with tax for specific activities	11,826	0
Total expenses with current taxes	**215,753**	**814,183**

	2017	2016
Deferred income tax		
Deferred income tax expenses	0	0
Income from deferred income tax	-84,246	-235,567
Total	**131,507**	**578,616**

Reconciliation of the effective tax rate:

Reconciliation of the effective tax rate

	2017	2016
Pre-tax income	**408,883**	**5,483,653**
Tax according to the statutory tax rate of 16% (2016-16%)	65,421	877,384
Effect on income tax of		
Tax for specific activities	-6,350	0
Legal reserve	-2,362	-43,869
Non-deductible expenses	178,289	258,296
Non-taxable income	-3,245	-3,525
Items similar to income	83,291	83,884
Exemptions for sponsorship	-32,000	-12,000
Tax relieves- reinvested profit	-67,290	-339,219
Registration of temporary differences not recognised in adjustments IFRS	-84,246	-242,336
Income tax	**131,507**	**578,616**

29. Related parties

The Company has as related parties the following companies:
1. SC Melisa Prod SRL, with office in Cluj-Napoca, 10 Orastiei Street, Cluj county, tax ID: RO 17597400, J12/1857/2005.
The share capital of the company consists of 20 shares of which 19 shares are held by SC Transilvania Constructii SA and one share is held by Mr. Timofte Andrei.
Starting from 2011, this company did not carry out any activity.
The Company carried out the following transactions with SC Melisa Prod SRL:

2017: the company did not carry out transactions with SC Melisa Prod SRL;
2016: the company did not carry out transactions with SC Melisa Prod SRL;

2. SC Brieta Industrial Com SRL, with office in Cluj-Napoca, 10 Orastiei Street, Cluj county, tax ID: RO 6839037, J12/4795/1994. The company has a share capital in the amount of RON 17,480, consisting of 1748 shares held as follows:
874 shares: Mrs. Timofte Gabriela;
874 shares: Mr. Timofte Mircea
The company carried out the following transactions with SC Brieta Industrial COM SRL.

2017:
- the company did not have turnover or balances in the accounts 401 and 4111.

2016:
- the company did not have turnover or balances in the accounts 401 and 4111.

Further on, the company contracted a loan from SC Brieta Industrial Com, in the amount of RON 980,000, with maturity by December 31st, 2022 and grace period until December 31st, 2015. The interest paid by the company is the reference interest rate communicated by NBR. In August 2017, Transilvania Constructii fully refunded the outstanding loan, namely RON 790,000.

Opening loan balance on January 1st, 2017: RON 790,000;
Debit cash flow RON 790,000
Closing loan balance on December 31st, 2017: Ron 0

- In 2017, the company registered interest expenses related to credit contracted amounting to: RON 8,825.28.
- In 2016, the company registered interest expenses related to credit contracted amounting to: RON 17,197.02.

3. Other related parties:

In 2015, the Company set up 3 related companies. These are organised as limited liability companies in which the company holds 95% of the share capital.

These companies are the following:

ABC Facility Management, tax ID: 35226834, with office in Cluj Napoca, 10 Orastiei Street;
Invincible Real Estate, tax ID: 35226842, with office in Cluj Napoca, 10 Orastiei Street;
Novis Plaza, tax ID 35226850, with office in Cluj Napoca, 47 Taietura Turcului Street;

In 2017, Invincible Real Estate has not carried out any activity (Turnover 0, Income 0, Assets 0, Liabilities 0). Furthermore, the company did not conduct export activities in 2016;

Transilvania Constructii has completed the following transactions with Novis Plaza

- in 2017:

Opening balance account 401: RON 28,021.87;
Credit cash flow account 401: RON 819,719.79
Debit cash flow account 401: RON 837,228.39;
Final balance account 401: RON 10,513.27;

Opening balance account 404: RON 0.00;
Credit cash flow account 404: RON 137,461.18
Debit cash flow account 404: RON 137,461.18;
Final balance account 404: RON 0.00;

Transilvania Constructii paid premises rental and utility reinvoicing services. Moreover, Transilvania Constructii purchased furniture for the new registered office of Novis Plaza SRL

Opening balance account 4111: RON 3,439,474.84
Debit cash flow account 4111: RON 50,407.40
Credit cash flow account 4111: RON 3,074,689.57
Final balance account 4111: RON 415,192.67

In 2017, the company increased its share ownership in the share capital of Novis Plaza, amounting to RON 190 to RON 1,375,790. As the minority shareholder increased its share ownership, the share held in the share capital of Novis Plaza remained unchanged, i.e. 95%.

- granting loan to Novis Plaza:

Opening debit balance account 4511: RON 8,599,701.83;
Debit cash flow account 4511: RON 2,339,450.00:
Credit cash flow account 4511: RON 9,100.00:
Final debit balance account 4511: RON 10,930,551.83

- in 2016:

Opening balance account 401: 0.00;
Credit cash flow account 401: RON 28,021.87
Debit cash flow account 401: RON 0.00;
Final balance account 401: RON 28,021.87;

The transactions consisted in service rendering and they were performed at arm's length;

Opening balance account 4111: 0.00;
Debit cash flow account 4111: 25,455,203.84;
Credit cash flow account 4111: 22,015,729.00;
Final balance account 4111: 3,439,474.84;

Transilvania Constructii carried out the following deliveries to Novis Plaza:
- Delivery of a real estate property located in Cluj Napoca, 47, Taietura Turcului street (TETAROM 1 Industrial Park), comprising of 2 buildings: building A (basement+ground floor+3 floors), namely building B (basement+ground floor+7 floors).
The transaction was carried out at arm's length, based on appraisal reports prepared by chartered appraisers, members of ANEVAR.
- services carried out on the prior-mentioned real estate property. Service rendering has been carried out during October-December 2016.

-granting loan to Novis Plaza:

Opening debit balance account 4511: RON 0.00;
Debit cash flow account 4511: RON 8,599,701.83;
Credit cash flow account 4511: RON 0.00;

Final debit balance account 4511: RON 0.00

Transilvania Constructii has completed the following transactions with ABC Facility Management:

-loan granted to ABC Facility Management:

Opening debit balance account 4511:	RON 0.00;
Debit cash flow account 4511:	RON 1,420,000.00;
Credit cash flow account 4511:	RON 0.00;
Final debit balance account 4511:	RON 1,420,000.00

Related parties are considered members of the Board of Directors and the Executive Management of the Company.

The Board of Directors consists of:

2017	Position
Timofte Mircea	Chairman of the Board of Directors
Timofte Andrei Iancu	Member of the Board of Directors
Legean Viorel	Member of the Board of Directors

2016	Position
Timofte Mircea	Chairman of the Board of Directors
Timofte Andrei Iancu	Member of the Board of Directors
Fetita Alin Sorin	Member of the Board of Directors -period 01.01.2016-12.09.2016;
Legean Viorel	Member of the Board of Directors -period 13.09.2016-31.12.2016

The Company’s Executive Management is represented by:

2017	Position
Timofte Andrei Iancu	General Manager
Barz Lucian	Chief Financial Officer

2016	Position
Timofte Andrei Iancu	General Manager
Barz Lucian	Chief Financial Officer

Benefits of key management personnel include:

	2017	2016
Remuneration of the members of Board of Directors	22,220	46,016
Wages paid to the management personnel	127,218	102,919

Transactions with key management personnel
Shareholding

December 31st, 2017	December 31st, 2016

	No. of shares	% of share capital	% of voting rights	No. of shares	% of share capital	% of voting rights
Timofte Mircea	285,072	35.65	35.65	285,072	35.65	35.65
Timofte Andrei Iancu	461,635	57.72	57.72	461,635	57.72	57.72

In 2017, the company carried out the following transactions with the management personnel:
Opening balance account 4551- analytic Timofte Andrei Iancu: RON 4,070.60;
Credit balance: 0;
Debit balance: RON 4,070.60;
Final balance account 4551:- analytic Timofte Andrei Iancu: Ron 0

In 2016, the company carried out the following transactions with the management personnel:
Opening balance account 4551- analytic Timofte Andrei Iancu: RON 2,827,456.60;
Credit cash flow: 800,000;
Debit balance: RON 3,623,386;
Final balance account 4551:- analytic Timofte Andrei Iancu: RON 4,070.60

30. Commitments

The Company has capital commitments representing investment plans approved by the Board of Directors on December 31st, 2017: EUR 4,037,720 (December 31st, 2016 amounting to EUR 5,433,836).

31. Contingent assets and liabilities

- Contingent assets

On December 31st, 2017, the company had issued the following letters of bank guarantee:
- letters of bank guarantee for performance bonds granted to beneficiaries:

No.	Name of Beneficiary	Amount-Ron	Validity
1	Rasnov Town	83,126.24	05.08.2020

- letters of bank guarantee for granted to guarantee the advance payments collected:

No.	Name of Beneficiary	Amount-Ron	Validity
1	Schenker Logistics	138,293.37	30.01.2018

- letters of bank guarantee granted for good payment:

No.	Name of Beneficiary	Amount-Ron	Validity
1	TETAROM SA	753,548.98	05.08.2020
2	CBC Development Design	3,670,292.82	26.04.2018
3	TETAROM SA	479,127.84	30.11.2019

On December 31st, 2016, the company had issued the following letters of bank guarantee:
- letters of bank guarantee for performance bonds granted to beneficiaries:

No.	Name of Beneficiary	Amount-Ron	Validity
1	Rasnov Town	83,126.24	24.04.2017
2	TETAROM SA	2,265,000.00	30.06.2018

- letters of bank guarantee for granted to guarantee the advance payments collected:

No.	Name of Beneficiary	Amount-Ron	Validity
1	Schenker Logistics	627,136.19	25.04.2017

- letters of bank guarantee granted for good payment:

No.	Name of Beneficiary	Amount-Ron	Validity
1	TETAROM SA	385,479.43	05.08.2020
2	CBC Development Design	3,670,292.82	26.04.2017
3	TETAROM SA	479,127.84	30.11.2019

Contingent assets:
The Company holds the following contingent assets:
- receivable guaranteed with mortgage over real estate (Ist, IInd, IIIrd degree), on the company CBC Development Design SRL, which is bankrupt. On December 31st, 2017, the nominal value of the receivable amounts to RON 91,548,795.86;
The company is not in a position to estimate the amounts to be cashed because of the debtor's bankruptcy,

- receivable guaranteed with mortgage over real estate (Ist, IInd, IIIrd degree), on the company SVF Management Prod Serv, which is bankrupt. On December 31st, 2017, the nominal value of the receivable amounts to RON 91,533,547.01;
The company is not in a position to estimate the amounts to be cashed because of the debtor's bankruptcy,

- guaranteed debts on the following debtors:

- Nica Valentin, Nica Anca, Petre Stefan, Petre Mariana. The nominal value of the receivable amounts to RON 106,384,585.26;
- Badiu Nicolae and Badiu Gabriela Maria. The nominal value of the receivable amounts to RON 1,298,757.96;

The quality of debtors of these persons derives from their previous status, being former associates of SC CBC Development Design SRL, which have personally guaranteed for the company's debts.

December 31st, 2017 various enforcement actions against debtors were under way. As the value of the debtors' personal patrimony is not known, the company cannot estimate the amounts to be cashed by the foreclosure of the debtors.

32. Events after the balance sheet date

On January 23rd, 2018, the Extraordinary General Meeting of Shareholders approved the acquisition of 78,039 own shares, under the following conditions:
- the maximum value at which the shares will be acquired will be RON 40 per share, and the minimum value will be RON 25 per share;
- the maximum duration until which the company will be able to acquire the shares will be 12 months, calculated from the date of publication in the Official Gazette of Romania of the EGMS Decision approving the acquisition of its own shares;
- purpose of the acquisition: further redistribution to employees and directors;
- sources of financing the acquisition: the results carried forward;

The estimated effect on the financial statement is as follows:
- decrease of the shareholders' liquidities by the amount of RON 2,653,326;
- decrease of the shareholders' equity by the amount of RON 2,653,326;

33. Financial risk management
Overview
The Company is exposed to the following risks arising from the use of financial instruments:

- credit risk;
- liquidity risk;
- market risk.

These notes present information concerning the exposure of the Company to each of the risks mentioned above, objectives, policies and processes of the Company for the measurement and management of risk and procedures used for capital management. Furthermore, other quantitative information is also included in these financial statements.
The Company's risk management policies are defined so as to ensure the identification and analysis of risks faced by the Company, establishment of adequate limits and controls as well as monitoring of risks and compliance with the established limits. Risk management policies and systems are revised periodically to reflect the changes incurred in market conditions and in the Company's activities.
g) Credit risk
Credit risk is a risk that the Company will bear a financial loss as a result of the non-fulfilment of contractual obligations by a client or counterpart to a financial instrument and this risk mainly results from the Company's trade receivables.
(i) Exposure to credit risk

	December 31st, 2017	**December 31st, 2016**
Trade and other receivables	15,171,327	18,174,976
Cash and cash equivalents	4,980,516	2,684,550
Total	**20,151,843**	**20,859,526**

The Company's exposure to credit risk is mainly influenced by the individual characteristics of each client.
The management established a credit policy under which each new client is separately analysed in terms of creditworthiness before the Company's standard payment and delivery conditions are offered. For each client in part there are established purchase limits. Clients that do not meet the conditions established by the Company can make transactions only with advance payment.
Goods are sold with retention of title clause, so that in case of non-payment the Company benefits from a guarantee for the amounts claimed. The Company does not require collateral securities for trade and other receivables. In some case the Company requires cheque notes, payment orders or letters of bank guarantee. In case of leases for premises the rent is charged in advance, as well as a collateral, agreed to amount one, two or three rents.
(ii) Depreciation

December 31st, 2017 in RON	Gross value	Depreciation
Current and outstanding between 0 and 30 days	2,204,742	
Outstanding between 31 and 60 days	149,128	1,073
Outstanding between 61 and 90 days	23,896	20,588
Outstanding between 91 and 180 days	349,911	58,612
Outstanding between 181 and 360 days	2,726,203	38,082
Over 360 days	11,232,606	1,477,077
Total	**16,686,486**	**1,515,159**

The Company establishes an adjustment for depreciation presenting its estimations concerning losses from trade receivables, other receivables and investments. This consists of specific losses related to significant individual exposures.
On December 31st, 2017, the company had registered the following receivables considered as impaired (individual analysis):

No.	Client	Amount	Reason of depreciation
1	Aido Construct	557,847.28	pending litigation
2	Al Dum Mob	1,647.05	pending litigation – in foreclosure
3	Belle Way	1,269.48	foreclosure
4	Cafe Lux	82,892.91	in bankruptcy
5	CBC Development Design	478,006.84	in bankruptcy
6	Clivia Maya	63,031.52	foreclosure
7	DMT Euro Service	30,508.16	pending litigation -debit not recognised
8	Doranic Prodcom	2,261.86	foreclosure
9	Flesariu Mihai	4,054.85	pending litigation -debit not recognised
10	Group 4 Installations	24,469.84	in insolvency
11	Icon Electric Trade	3,543.59	pending litigation – in foreclosure
12	Interpaul Company	6,482.81	in bankruptcy
13	MBS Group	17,601.29	in bankruptcy
14	Micrographite Ceramics	48,754.94	foreclosure
15	Mono Constructii	90,819.34	pending litigation
16	Opt Construct	3,471.68	debit not recognised
17	Pitas Company	14,880.00	pending litigation -debit not recognised
18	Polysteel Prod	17,179.80	disappearing debtor
19	RCS&RDS	10,797.85	debit not recognised
20	Remixt Flo	33,341.38	in insolvency
21	Rom Zoo Market	15,588.56	foreclosure
22	Slavinschi Transport	6,707.55	in bankruptcy
	Total	**1,515,158.58**	

The criteria used by the company to determine the existence of proofs attesting depreciation are the following:

- Long period of time elapsed between the maturity date and the reporting date-if maturity was exceeded by more than 120 days it can be considered as a contested receivable (except

for sales with payment in installments, receivables against state institutions and secured receivables);
- If the debtor challenges the receivable;
- If the debtor does not make the payment for any reason and the company addresses to the court to recover the receivable;
- If the debtor incurs major financial difficulties (insolvency, bankruptcy).

h) Liquidity risk

Liquidity risk is the risk that the Company would face difficulties in fulfilling obligations related to financial liabilities that are settled in cash or by the transfer of another financial asset. The Company's approach to liquidity risk is to ensure, as far as possible, that it holds sufficient liquidities at any time to settle debts when these come to maturity, both under normal conditions and under stress, without incurring inacceptable loss or endanger the Company's reputation.
The Company checks the clients' financial situation both at the conclusion of contracts and during the performance of contracts to protect itself in case the clients' financial situation deteriorates and the non-payment risk occurs. Further on, clients leasing premises in Transilvania Logistic Park are required both to pay guarantees and to pay the rental in advance according to the trade customs practiced in lease market.
Further on, apartment sale contracts with payment in installments are concluded with property right transfer clause only upon the full payment of the price.

The table below presents the residual contractual maturities of the financial liabilities at the end of the final reporting period, including estimated interest payments:

December 31st, 2017	Book value	Contractual cash flows	< 1 year	1-5 years	> 5 years
Loans	107,028,091	130,415,683	4,150,493	49,572,993	76,692,197
Trade and other payables	7,583,984	7,583,984	7,583,984	0	0
Total	**114,612,075**	**137,999,667**	**11,734,477**	**49,572,993**	**76,692,197**

i) Market risk

Market risk is the risk that market price variations such as the exchange rate, the interest rate and the price of equity instruments would affect the Company's income or the value of the financial instruments held. The objective of market risk management is to manage and control the exposures to market risk within acceptable parameters and at the same time to optimise the cost-effectiveness of the investment.

Interest rate risk

The Company is concerned to monitor at all times the interest variations on international markets (especially EURIBOR) in order to be able to react promptly in case the unsatisfactory development of indicators in terms of which the interests paid by the Company are calculated would have unsatisfactory effects on the Company.
The Company is permanently concerned with optimising the debt service, permanently negotiating with banks to decrease interest and to correlate bank rates to the income level.

(i) Risk exposure profile

On the reporting date, the profile of the risk exposure to the interest rate related to interest-bearing financial instruments held by the Company was the following:

Instruments with variable rate	December 31st, 2017	December 31st, 2016
Financial payables	103,419,806	80,167,428
Total	**103,419,806**	**80,167,428**

(ii) Sensitivity analysis of the fair value for instruments with fix interest rate

The Company does not accounts for financial assets and liabilities with fix interest rate at fair value through profit or loss or available for sale. Therefore, a change in the interest rates on reporting date would not effect the statement of comprehensive income.

(iii) Sensitivity analysis of cash flows for instruments with variable interest rate

A 1% increase of the interest rate on the reporting date would have determined a decrease of the profit or loss by RON 1,034,198 on December 31st, 2017, and by RON 801,674 on December 31st, 2016, respectively. This analysis assumes that all other variables, especially exchange rates, remain constant.

A 1% depreciation of the interest rates on December 31st, 2017, and on December 31st, 2016, respectively, would have led to the same effect, but in a contrary way, on the amounts presented above considering that all the other variables remain constant.

Fair values

Fair value is the value at which a financial instrument can be traded between the interested and informed parties within a transaction carried out under objective conditions.

Financial instruments that are not accounted for at fair value in the statement of financial position include trade and other receivables, cash and cash equivalents, loans, trade and other payables. The book values of the financial instruments mentioned above approximate their fair values.

Currency risk

The Company is exposed to currency risk due to sales, purchases and other loans which are expressed in a currency other than the functional currency, primarily Euro.

The Company has received loans and other financing in Euro.

For protection against the increase of the exchange rate, the leases for premises are concluded in Euro, with settling at the sell exchange rates communicated by CEC Bank SA or for the NBR exchange rate. In this way, the Company has got ensured the income in the currency in which it repays credits.

The Company's exposure to currency risk is presented in the table below

December 31st, 2017	RON	equivalent in RON EUR
Financial assets		
Trade and other receivables	14,760,569	410,758
Cash and cash equivalents	4,681,146	299,370
Total	**19,441,715**	**710,128**
Financial payables		
Loans	15,454,044	91,574,047
Trade and other payables	7,583,984	0
Total	**23,038,028**	**91,574,047**

December 31st, 2016	RON	equivalent in RON EUR
Financial assets		
Trade and other receivables	17,726,692	448,284
Cash and cash equivalents	2,387,308	297,242
Total	**20,114,000**	**745,526**
Financial payables		
Loans	8,585,493	75,076,909
Trade and other payables	7,686,991	0
Total	**16,272,484**	**75,076,909**

(ii) Sensitivity analysis

A 10% growth of the RON on December 31st, 2017, compared to the EUR, would have had a net impact in profit of RON 9,086,392 (loss).

A 10% growth of the RON on growth by 31st December 2016, compared to the EUR, would have had a net impact in profit of RON 7,433,138 (loss).

A 10% fall of the RON on December 31st, 2017, December 31st, 2016, compared to the EUR, would have led to the same effect, but in a contrary way, on the amounts presented below, considering that all the other variables remain constant.

j) Tax risk

Starting from January 1st, 2007, as a result of Romania's accession to the European Union, the Company had to be subjected to the tax regulations of the European Union and to implement the changes in the European legislation. The manner in which the Company implemented these changes remains open to tax audit for five years.

The interpretation of text and practical implementation of procedures of new EU tax regulations entered into force may vary and there is a risk that certain transactions, for instance, will be perceived differently by the tax authorities compared to the Company's approach.

Moreover, the Government of Romania has a great number of authorised agencies to carry out the audit of companies operating in Romania. These audits are similar to tax audits from other countries and can cover not only tax issues but also other legal and regulation issues that are of interest for these agencies. It is likely that the Company may be subject to tax audits as new tax regulations are issued.

k) Business environment

The process of risk revaluation conducted in the period 2007-2010 on the international financial markets significantly affected the performance of these markets, including the financial market in Romania and led to the emergence of an increasing uncertainty concerning the future economic development. These uncertainties have not disappeared, for the moment, although, the performance of financial markets, as well as of national economies, has significantly improved in the last years.

The global credit and liquidity crisis which started in mid 2007 determined, among others, a low level and difficult access to capital market funds, a low level of liquidity of the entire bank sector in Romania and increased levels of rates to interbank loans. Significant losses incurred in the international financial market could affect the Company's ability to obtain new loans and to refinance loans which it already has under terms and conditions related to the previous transactions.

The establishment of conformity to loan contracts and other contract obligations, as well as the assessment of significant uncertainties, constitute new challenges for the Company.

The Company's debtors can be as well affected by low liquidity, which could affect their ability to reimburse the outstanding debts. The deterioration of financial conditions under which the debtors carry out their activity could as well have an impact on the management of cash flow forecasts and on the assessment of financial and non-financial asset impairment. To the extent of available information, the management included in its impairment policy revised estimations of future cash flows.

Fears that the deterioration of financial conditions could contribute in future to the deterioration of trust determined certain joint efforts from governments and central banks to adopt certain measures which would counteract the vicious circle of increase in risk aversion and to help minimise the effects of the financial crisis and, ultimately, to reinstore the functioning of market under normal conditions.

The management cannot forecast all events that could have an impact on the financial sector in Romania and, therefore, what effects would have on these financial statements, if the case may be.

The management cannot reliably estimate the effects on the Company's financial statements of any future decrease in liquidities of the financial markets, impairment of financial assets influenced by weak liquidity of credit market and increase of currency volatility and stock markets. The management considers that it takes all necessary measures to support the sustainability and growth of the Company's business under the current conditions through:

- constant monitoring of liquidity;
- carrying out short-term forecasts on net liquidity;
- monitoring inflow and outflow of cash flow (daily), assessment of effects on debtors of the limited access to financing and growth of businesses in Romania.

Risk factors specific to lease of premises and specific to property development activities and that the Company could face would be the following:

(i) Competition.

In the last years the company has targeted the development of new activities to have more income sources and to protect itself against the market risk. Thus, the company developed a real estate project and developed the activity in Transilvania Logistic Park.

The Company's strategy for the future is to focus on these activities that proved to be efficient even in the period of crisis.

Concerning the rental of premises, currently the company has a solid position in the market as it was the first company to offer the local market of the business a proper logistic park. The company is always concerned to strengthen the position it holds in the local market of logistic premises. For this purpose, the logistic park is permanently refurbished and extended and the company's strategy is to strengthen the relations with traditional customers, multinational companies with which it has long-term business relations. Over time, the quality of services provided to customers has steadily increased, with a positive impact in terms of client portfolio consisting of partners with solid financial position and good reputation.

The Company's good reputation also had a positive impact on the residential development activity, ensuring a steady and sustained pace of sales.

As of 2016, has implemented an expansion program through the development of new logistic parks both in Cluj county and in other places in the country. The first new logistic park (TRC PARK Cluj) started to be developed in TETAROM III Industrial Park. The first stage of this project was completed in late 2017. The company intends to commence the second development stage in 2018.

Furthermore, the company, via an affiliated company, controlled by Transilvania Constructii, entered the local market of office buildings through the purchase and completion of two office buildings TETEROM I Industrial park-Taietura Turcului. Within this project, the first stage (an office building comprising of basement+ground floor+3 floors) is going to be put into service at the beginning of 2017.

l) Capital adequacy

The Company's policy is to keep a solid basis of capital necessary to keep the trust of investors, creditors and market and to support the future development of the entity.

The shareholder's equity of the Company includes share capital, various types of reserves and retained earnings. The Company is not subject to externally imposed capital requirements.

The company's Board of Directors considers that the company's financial stability is not affected as long as the indebtedness calculated by reporting the borrowed capital (loans with maturity over 1 year) to invested capital (shareholders' equity +borrowed capital) is under 50%.

The Company regards the managed capital as asset items that make up the shareholders' equity, respectively:

-share capital;
-share premiums;
-own shares (which decreases shareholders' equity)
-reserves;
-retained earnings;

The components of shareholders' equity items (capital managed by the company) at the end and at the beginning of the financial year 2017 are presented below:

Capital item	**Balance on January 1st, 2017**	**Increases**	**Reductions**	**Balance on December 31st, 2017**
Share capital	26,391,783	0	0	26,391,783
Capital adjustments	27,019,805	0	0	27,019,805
Reserves	6,593,780	277,376	0	6,871,156
Retained earnings	33,948,502	0	2,279,289	31,669,213
Shareholders' equity	-104,544	0	0	-104,544
Total	**93,849,326**	**277,376**	**2,279,289**	**91,847,413**

In 2017, there were no changes in the structure of the Board of Directors.

SC TRANSILVANIA CONSTRUCTII SA
Cluj-Napoca, Cluj County
Tax Number: R013091620
Trade Register: J12/616/2000

INDEPENDENT

AUDITOR'S

REPORT

DECEMBER 31, 2017

Financial Auditor: Fătăcean Gheorghe
CAFR Membership Card: no. 3644/2010
Address: Cluj-Napoca, str. Aurel Ciupe, nr. 7C
Phone: 0744/695 331

INDEPENDENT AUDITOR'S REPORT

on the financial statements prepared by

S.C. TRANSILVANIA CONSTRUCTII SA as at December 31, 2017

To,

Shareholders of TRANSILVANIA CONSTRUCTII SA
Board of Directors TRANSILVANIA CONSTRUCTII SA

An opinion without reservation:

We have audited the attached annual separate financial statements of **S.C. TRANSILVANIA CONSTRUCTII SA** which comprise the statement of financial position, the statement of comprehensive income, the statement of changes in shareholders' equity and the statement of cash flows for the year then ended, and notes related to the financial statements.

In our opinion, the financial statements of S.C. TRANSILVANIA CONSTRUCTII SA for the financial year ended December 31, 2017 are prepared correctly, in all material respects, in compliance with Order no. 2844/December 12, 2016 of the Minister of Public Finance for the approval of the accounting regulations in line with the International Financial Reporting Standards.

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the auditing standards of the Romanian Chamber of Financial Auditors. Those standards require that we observe the ethical requirements, and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Such financial statements refer to:

1. Shareholders' equity **Ron 91.847.413**
2. Turnover **Ron 25.134.277**
3. Net profit of the financial year: profit **Ron 277.376**

Audit key issues

Key aspects of audit are those aspects that, based on our professional judgment, have been of the highest importance for the audit of the financial statements during the reference period. These issues have been addressed in the context of the audit of the overall financial statements and have played a significant role in forming the opinion but we will not provide a separate opinion on these issues. We appreciate that, in completing our opinion without reservation, it is necessary to present in our report at least the following key issues:

Audit key issues	How our audit addressed the key issue
Evaluation of land and buildings Land and buildings at net value represent 95.83% of total assets. The assessment of land and buildings in order to be recorded in the annual financial statements was made according to Order 2844/2016. Information on land and building valuation is presented in "Fixed Assets" in Note 1 and Note 1A "Fixed Assets" and Note 6. These assets are significant both in the balance sheet and in the profit and loss account of the financial year, which is why the revaluation of land and buildings was important for our audit and is considered a key issue. The value of the land owned is RON 5,072,939.19 l and the gross value of the real estate investments is RON 238,894,987.33 . Real estate investments are valued at cost of production.	Our procedures for land and building revaluation are: 1. We analyzed whether the provisions of Order 2844/2016 were taken into account and the assessment was made in accordance with it 2. We requested an analytical statement of the "Revaluation reserves" account and analyzed whether the construction and land fairly tracked increases and decreases in the revaluation reserve, recognition at the expense where there was no balance of the reserve, income recognition there where there is recognition at the expense of a previous revaluation. 3. We checked whether the entire building class and land had been re-evaluated. 4.We checked the correct use of the net method. 5. I have checked the correct completion of the accounting notes and if the balances in the analytical situation correspond to the verification balance. 6. We analyzed whether the changes in values were reflected fairly in the financial statements and the profit and loss account.
Financial investments TRANSILVANIA CONSTRUCTII SA has placements within its subsidiaries: Titles held at Novis Plaza SRL -RON 1,375,790 Titles held at ABC Facility Management – RON 190 Titles held at Invincible Real Estate SRL – RON 190 Titles held at SCS CFR 1907 Cluj SA – RON 4,360,891 Titles held at Melisa Prod SRL – RON 172,774 Titles held at SC Somes Balastiere SA – RON 3,129 **Adjustments for impairment and provisions** The Company made the impairment adjustments for financial investments by canceling them in the total value of RON 3129. The establishment of impairment adjustments is	From the test we found that during the 2017 exercise did not receive dividends, although the company needs liquidity as a result of the reduction of the production activity. Our procedures for setting up depreciation adjustments are as follows: 1. We have analyzed the stock balance as well as the state of age receivables. 2. We have reviewed the setting of adjustments and the resumption of some previously adjusted adjustments. 3. We analyzed whether the value adjustments are recorded correctly in the accounts. 4. We analyzed whether the value adjustments were presented fairly in the balance sheet, the profit and loss account and the notes to the financial statements. 5. We have analyzed the litigation and how to set up the provisions.

important both in the balance sheet and in the profit and loss account of the financial year, which is why it is considered a key issue.	

Management's Responsibility for the Financial Statements

The Management is responsible for the preparation and fair presentation of these financial statements in accordance with Order no. 2844/December 12, 2016 of the Minister of Public Finance (OMFP) for the approval of the accounting regulations in line with the International Financial Reporting Standards and with OMFP no. 470/11.01.2018 on the main aspects of the preparation and submission of the annual financial statements and annual accounting reports of economic operators and the accounting policies described in the notes to the individual financial statements and for the internal control that the management considers necessary to enable the preparation of financial statements are free of significant distortions, whether due to fraud or error. Such responsibility covers the design, implementation and maintenance of an internal control related to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error; selection and use of appropriate accounting policies; issue of reasonable accounting estimates in the given circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the auditing standards of the Romanian Chamber of Financial Auditors. Those standards require that we observe the ethical requirements, and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control relevant for the preparation and fair presentation of the financial statements by the Company in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of significant accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Other Matters

The Independent Auditor's Report is addressed exclusively to the company's shareholders. Our audit was conducted for the purpose of reporting the matters to be reported in a financial audit report to the company's shareholders, and not for other purposes. To the extent allowed by the law, we waive any responsibility and will only be liable to the Company and its shareholders for our audit, for this report and for our opinion.

The attached separate financial statements are not intended to present the company's financial position, operating profit/loss and cash flows in accordance with the requirements of the International Financial Reporting Standards. Consequently, the attached separate financial statements are not prepared for the use of individuals who are not familiar with the Romanian accounting and legal regulations.

Report on Directors' Report

Directors are responsible to prepare and present the Directors' Report (separate and consolidated) in accordance with the requirements of Order no. 2844/December 12, 2016 of the Minister of Public Finance for the approval of the accounting regulations in line with the International Financial Reporting Standards, points 15-20, free of material misstatement and for the internal control deemed relevant by the management enabling the preparation of the Directors' Report that is free from material misstatements, whether due to fraud or error.

The Directors' Report is not part of the financial statements.

Our opinion on the individual financial statements does not cover the Directors' report.

As regards our report on the separate financial statements, we have read the Directors' Report attached to the financial statements and, based thereupon, we report that:

a) We have not identified any information in the directors' report materially inconsistent with the information presented in the financial statements;

b) The Directors' Report identified above includes, in all material respects, the information required by Order no. 2844/December 12, 2016 points 15-20, of the Minister of Public Finance for the approval of the accounting regulations in line with the International Financial Reporting Standards, and by the regulations of the Financial Supervisory Authority.

c) Relying on our knowledge and understanding of S.C. TRANSILVANIA CONSTRUCTII SA and its environment, acquired while auditing the financial statements for the year ended December 31, 2017, we have not identified any information in the Directors' Report which contains material errors.

Date: March 22, 2018
For and on behalf: Fătăcean Gheorghe
Financial Auditor:
……………………….

OFFICIAL STATEMENT

In accordance with the provisions of art. 31 of the Accounting Law no. 82/1991

The annual financial statements as at 31.12.2017 were prepared for the group of companies comprised of:

Transilvania Constructii SA, as the parent company of the group, with the following identification data:

-headquarters in Cluj Napoca, str. Taietura Turcului , 47, 3rd floor, Cluj county, unique registration number RO 199044, no. Registration O.R.C. J12 / 8/1991, main CAEN code 4120 "Construction of residential and non-residential buildings"

-***Novis Plaza SRL***, with registered office in Cluj Napoca, str. Taietura Turcului, no. 47, Cluj County, Unique Registration Number RO 35226850, no. Registration O.R.C. J12 / 3454/2015.

-***Melisa Prod SRL***, with headquarters in Cluj Napoca, 10 Orastiei Street, Cluj County, Unique Registration Code 17597400, no. Registration O.R.C. J12 / 1857/2005

-ABC Facility Management SRL, a company established in 2015, having the registered office in Cluj Napoca, Orastiei street, no. 10, Cluj county, tax ID RO 35226834, registration number with the Trade Register J12/3452/2015.

The manager of the parent company, TIMOFTE MIRCEA, assumes responsibility for the preparation of the annual consolidated financial statements as at 31.12.2017 and confirms that:

a) The accounting policies used to prepare the consolidated annual financial statements are in accordance with the applicable accounting regulations;

b) The consolidated annual financial statements provide a true picture of the financial position, financial performance and other information related to the business carried on;

Chairman of the Board of Directors
Timofte Mircea

S.C. Transilvania Construcții S.A.

SC Novis Plaza SRL

SC Melisa Prod SRL
SC ABC Facility Management SRL

Consolidated Financial Statements
On December 31st, 2017

Prepared according to the International Financial Reporting Standards adopted by the European Union

Content

Consolidated Financial Statements

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Consolidated Financial Statements

Situation of the consolidated financial position

for the financial year ended December 31st, 2017

in RON	Note	December 31st, 2017	December 31st, 2016
ASSETS			
Tangible assets	**6**	14,589,576	13,230,670
Investment properties	**7**	207,861,263	185,351,801
Intangible assets	**8**	81,761	21,293
Held-to-maturity investments	**9**	4,361,081	4,361,271
Long-term trade and similar receivables	**11**	386,798	393,656
Total fixed assets		**227,280,479**	**203,358,691**
Inventories	**10**	315,871	345,171
Short-term trade receivables	**11**	1,585,180	1,309,706
Other receivables	**13**	1,775,831	5,612,096
Accrued expenses		8,549	31,162
Cash and cash equivalents	**12**	7,476,633	4,140,983
Total current assets		**11,162,064**	**11,439,118**
TOTAL ASSETS		**238,442,543**	**214,797,809**
SHAREHOLDERS' EQUITY			
Share capital	**14**	26,391,783	26,391,783
Share capital adjustments	**14**	27,019,805	27,019,805
Reserves	**14**	6,883,710	6,606,336
Retained earnings		28,537,062	32,417,125
Non-controlling interests		-16,009	-4,382
Shareholders' equity		-104,544	-104,544
Total shareholders' equity		**88,711,807**	**92,326,123**
LIABILITIES			
Long-term loans	**15**	125,710,576	92,515,007
Deferred profit tax liabilities	**16**	11,154,174	11,239,199
Long-term provisions	**17**	83,126	83,126
Total long-term liabilities		**136,947,876**	**103,837,332**
Trade payables	**18**	5,991,008	8,617,308
Short-term loans	**15**	4,948,072	8,534,282
Other payables	**19**	1,843,780	1,482,764
Total current liabilities		**12,782,860**	**18,634,354**
TOTAL LIABILITIES		**149,730,736**	**122,471,686**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**238,442,543**	**214,797,809**

The Consolidated Financial Statements were approved by the Board of Directors on March 21st, 2018.

Notes below form an integral part of the Consolidated Financial Statements.

Consolidated Financial Statements

Statement of the consolidated comprehensive income

for the financial year ended on December 31st, 2017

in RON	Note	2017	2016
Income from turnover	**21**	25,435,589	20,363,813
Other operating income	**22**	615,501	423,829
Changes in inventories of finished goods and work in progress		-96,556	-144,641
Total operating income		**25,954,534**	**20,643,001**
Expenses with raw materials and consumables	**23**	3,448,178	2,858,083
Expenses related to services provided by third parties		4,297,540	3,090,463
Personnel related expenses	**24**	1,998,769	1,578,356
Amortisation and depreciation expenses	**25**	10,376,579	8,923,694
Provision expenses	**17**	0	-43,705
Goods-related expenses		128,880	110,602
Other operating expenses	**26**	725,127	-272,050
Total operating expenses		**20,975,073**	**16,245,443**
Operating income		**4,979,461**	**4,397,558**
Financial income	**27**	4,830	2,878,167
Interest expenses	**27**	3,262,481	2,755,307
Other financial expenses	**27**	2,998,358	636,506
Total Financial expenses		**6,260,839**	**3,391,813**
Financial loss		**-6,256,009**	**-513,646**
Profit before tax		**-1,276,548**	**3,883,912**
Income tax expenses	**28**	215,753	814,491
Deferred tax revenue	**28**	85,025	476,059
Net profit of the period		**-1,407,276**	**3,545,480**
Attributable profit			
Owners of the parent-company		-1,323,249	3,550,329
Non-controlling interests		-84,027	-4,849
		-1,407,276	**3,545,480**
Other items of comprehensive income		0	0
COMPREHENSIVE INCOME OF THE PERIOD		**-1,407,276**	**3,545,480**
Total comprehensive income assigned			
Owners of the parent-company		-1,323,249	3,550,329
Non-controlling interests		-84,027	-4,849

-1,407,276	**3,545,480**

The Consolidated Financial Statements were approved by the Board of Directors on March 21st, 2018.

Notes below form an integral part of the Consolidated Financial Statements.

TRANSILVANIA CONSTRUCȚII SA
C.I.F: RO199044
Nr. ord. reg.com./an: J12/8/1991
IBAN: RO13 CECE CJ01 I5RO N055 8518
CEC Bank Cluj
Capital Social: 26 391 783 RON

Str. Tăietura Turcului nr. 47, Etaj 3, Cluj-Napoca
Tel: 0264-416597
Fax: 0264-592229
office@transilvaniaconstructii.ro

in RON	**Share capital**	**Share capital adjustments**	**Shareholders' equity**	**Reserves**	**Retained earnings**	**Retained earnings resulting from the adoption of IFRS, less IAS 29**	**Retained earnings resulting from the adoption for the first time of IAS 29**	**Total**	**Non-controlling interests**	**Total shareholders' equity**
Balance as at January 2017	**26,391,783**	**27,019,805**	-104,544	**6,606,336**	**-932,516**	**60,369,295**	**-27,019,805**	**92,330,354**	**-4,382**	**92,325,972**
Total comprehensive income of the period								**0**	0	**0**
Net income of the period	0	0	0		-1,323,249		0	**-1,323,249**	-84,027	**-1,407,276**
Other items of comprehensive income								**0**	0	**0**
Increase of shares	0	0	0	0	0	0	0	**0**	72,400	**72,400**
Allocation to the legal reserve	0	0	0	14,764	-14,764	0	0	**0**	0	**0**
Allocation to other reserves	0	0	0	262,610	-262,610	0	0	**0**	0	**0**
Allocation to dividend payment			0		0	-2,279,289		**-2,279,289**	0	**-2,279,289**
Balance as of December 31st, 2017	**26,391,783**	**27,019,805**	-104,544	**6,883,710**	**-2,533,139**	**58,090,006**	**-27,019,805**	**88,727,816**	-16,009	**88,711,807**
Balance as at January 2016	**26,391,783**	**27,019,805**	-104,544	**4,318,042**	**-2,194,541**	**60,369,295**	**-27,019,805**	**88,780,035**	456	**88,780,491**
Total comprehensive income of the period								**0**	0	**0**
Net income of the period	0	0	0		3,550,319		0	**3,550,319**	-4,838	**3,545,481**
Other items of comprehensive income								**0**	0	**0**
Allocation to the legal reserve	0	0	0	274,183	-274,183	0	0	**0**	0	**0**
Allocation to other reserves	0	0	0	2,014,111	-2,014,111	0	0	**0**	0	**0**
Allocation to dividend payment			0		0			**0**	0	**0**
Balance as of December 31st, 2016	**26,391,783**	**27,019,805**	-104,544	**6,606,336**	**-932,516**	**60,369,295**	**-27,019,805**	**92,330,354**	-4,382	**92,325,972**

The Consolidated Financial Statements were approved by the Board of Directors on March 21st, 2018.

Notes below form an integral part of the Consolidated Financial Statements.

Consolidated Separate Financial Statements

Statement of consolidated treasury Cash Flows

for the financial year ended on December 31st, 2017

in RON	Note	2017	2016
Cash flows from operating activities			
Collections from clients		40,046,916	25,026,488
Payments to suppliers		-42,854,693	-41,032,461
Payments to employees		-1,225,400	-921,388
Payments to the state budget		-1,883,529	-3,391,684
Other payments related to operating activities		-2,125,008	-21,036,274
Interests paid		-36,468	-552,124
Income tax paid		-205,487	0
Net cash from (used in) operating activities		**-8,283,669**	**-41,907,443**
Cash flows from investing activities			
Interests collected		0	1,157
collections from the sale of tangible assets		0	0
Payments for the purchase of tangible assets		-8,847,010	-178,156
Net cash from (used in) investing activities		**-8,847,010**	**-176,999**
Cash flows from financing activities			
Collections from long-term bank loans contracted		28,414,443	51,177,011
Collections from share capital increase		74,300	0
Payment of liabilities related to bank credits		-4,295,700	-4,731,903
Payment of liabilities related to finance lease		-502,810	-697,396
Payment of other liabilities related to financing activities		-1,086,878	-3,171,587
Payment of dividends		-2,100,159	0
Net cash from (used in) financing activities		**20,503,196**	**42,576,125**
Net increase of cash and cash equivalents		**3,372,517**	**491,683**
Effect of exchange rate fluctuations on cash		-36,867	-53,950
Cash and cash equivalent at the beginning of the financial year	**12**	**4,140,983**	**3,703,250**
Cash and cash equivalent at the end of the financial year	**12**	**7,476,633**	**4,140,983**

The Consolidated Financial Statements were approved by the Board of Directors on March 21st, 2018.

Note below form an integral part of the Consolidated Financial Statements.

Notes to the Consolidated Financial Statements

for the financial year ended on December 31st, 2017

1. Reporting entity

The financial statements herein are prepared by the company group comprising of:

Transilvania Constructii SA, acting as parent company of the group, with the following identification data:

- The company's registered office is located in Cluj-Napoca, 47 Taietura Turcului Street, 3rd Floor, Cluj county, tax ID RO 199044, registration number with the Trade Register J12/8/1991.

The group's object of activity, recorded at Cluj Trade Registry Office, is the construction of residential and non-residential buildings.

The company's income is obtained, however, from the renting and sub-renting of own or leased real estate.

The Company's shares are listed on Bucharest Stock Exchange, standard category, with the indicative COTR, since August 2008.

On December 31st, 2017, the structure of the Company's share capital is the following:

No.	Name	No. of shares	%	Value-RON
1	Timofte Andrei Iancu	461,635	57.72	15,233,955
2	Timofte Mircea	285,072	35.65	9,407,376
3	Other shareholders	53,044	6.63	1,750,452
	Total	**799,751**	**100.00**	**26,391,783**

The own shares held by the company grant neither voting right in the General Assembly of Shareholders nor dividend right. Further on, the company does not have subscription right in the case of share capital increase by subscription granting pre-emption right.

The Register of shares and shareholders is kept under the law by S.C. Depozitarul Central S.A. Bucharest.

Transilvania Constructii controls the following companies:

-Novis Plaza SRL, a company established in 2015, having the registered office in Cluj Napoca, Taietura Turcului street, no. 47, floor 3, Cluj county, tax ID RO 35226850, registration number with the Trade Register J12/3454/2015. The share capital amounts a total of RON 1,448,200, consisting of 20 shares, with a nominal value of RON 10. The share capital is 95%, owned by Transilvania Constructions, and 5%, by Mr. Timofte Andrei Iancu. Transilvania Constructii was a founding member of the Company, participating in its foundation.

The company's object of activity, recorded at Cluj Trade Registry Office, is the renting and sub-renting of own or leased real estate.

-Melisa Prod SRL, a company established in 2005, having the registered office in Cluj Napoca, Orastiei street, no. 10, Cluj county, tax ID 17597400, registration number with the Trade Register J12/1857/2005. The share capital amounts a total of RON 103,635, consisting of 20 shares, with a nominal value of RON 5,181.75. The share capital is 95%, owned by Transilvania Constructions, and 5%, by Mr. Timofte Andrei Iancu. Transilvania Constructii was a founding member of the Company, participating in its foundation.

The company's object of activity, recorded at the Trade Registry Office, other food service activities n.e.c.

-ABC Facility Management SRL, a company established in 2015, having the registered office in Cluj Napoca, Orastiei street, no. 10, Cluj county, tax ID RO 35226834, registration number with the Trade Register J12/3452/2015. The share capital amounts a total of RON 200, consisting of 20

shares, with a nominal value of RON 10. The share capital is 95%, owned by Transilvania Constructions, and 5%, by Mr. Timofte Andrei Iancu. Transilvania Constructii was a founding member of the Company, participating in its foundation.
The company's object of activity, recorded at Cluj Trade Registry Office, is the renting and sub-renting of own or leased real estate.
As follows, the reference to the **Group**, respectively the reporting entity will designate the group of companies consisting of:
-Transilvania Constructii, acting as parent company;
-Novis Plaza, company controlled by Transilvania Constructii (affiliated company);
-Melisa Prod, company controlled by Transilvania Constructii (affiliated company);
-ABC Facility Mnagement, company controlled by Transilvania Constructii (affiliated company);

2. Bases of preparation

(a) Declaration of conformity

The Consolidated Financial Statements are drawn up by the Group according to the International Financial Reporting Standards ("IFRS") endorsed by the European Union. The Company applies the regulations included in the Order of the Minister of Public Finance no. 2844 of December 12th, 2016 approving the Accounting Regulations that are according to the International Financial Reporting Standards
The date of transition to the International Financial Reporting Standards was January 1, 2011.
Starting with the financial year 2012, trading companies whose securities are admitted to trading on a regulated market are obliged to apply the IFRS to the preparation of the annual consolidated financial statements.

(b) Presentation of the financial statements

The Consolidated Financial Statements are presented according to the requirements of IAS 1 *Presentation of Financial Statements*. The Group adopted a presentation based on liquidity in the statement of financial position and a presentation of the income and expenses by their nature in the statement of comprehensive income, considering that these methods of presentation provide information that are reliable and more relevant than those presented based on other methods of presentation permitted by IAS 1.

(c) Functional and presentation currency

The Group's management considers that the functional currency, as defined in IAS 21 *Effects of Changes in Foreign Exchange Rates*, is the Romanian Leu (RON). The Consolidated Financial Statements are presented in Ron, rounded to the nearest Leu, the currency chosen by the Group as presentation currency.

(d) Measurement bases

The Consolidated Financial Statements were prepared based on historical cost except for land and buildings which are measured by using the deemed cost model.
The accounting policies defined below have been consequently applied for all the periods presented in these financial statements.
These financial statements were prepared based on the going-concern principle.

(e) Use of estimations and judgments

The preparation of the consolidated financial statements according to the International Financial Reporting Standards ("IFRS") assumes that the management uses some estimations, judgements and assumptions which affect the application of accounting policies as well as the reported value of assets, liabilities, revenue and expenses. The judgements and assumptions related to these estimations are based on historic experience as well as on other factors considered reasonable in the context of these estimates. The results of these estimations constitute the basis of the judgments related to the book value of assets and liabilities which cannot be obtained from other sources of information. The results obtained may vary from the values of estimations.
The judgments and assumptions on which these are based are periodically revised by the Group. The revisions of accounting estimations are recognized in the period in which the estimations are revised if the revisions affect only that period or in the period in which the estimations are revised and in the future periods if the revisions affect both the current and the future periods.

The preparation of the consolidated financial statements according to the IFRS assumes that the management uses certain professional judgments, estimations and assumptions which affect the application of accounting policies and reported value of assets, liabilities, revenue and expenses. The actual results may vary from the estimated values.
The estimations and assumptions on which these are based are periodically revised. The reviews of accounting estimations are recognised in the period in which the estimation was revised and in the future affected periods.

3. Significant accounting policies

The accounting policies have been consequently applied to all periods presented in the consolidated financial statements prepared by the Group.
The consolidated financial statements are prepared based on the assumption that the Group will continue its activity in the foreseeable future. In order to assess the applicability of this assumption, the management analyses the forecasts related to the future cash inflow.
(a) Transactions in foreign currency
Operations in foreign currency are registered in Ron at the official exchange rate valid on the date of transaction settlement. Monetary assets and liabilities registered in foreign currencies on the date of drawing up the balance sheet are changed into functional currency at the exchange rate valid on that day.
Gains and losses from their settlement and from conversion using the exchange rate from the end of the financial year of the monetary assets and liabilities denominated in foreign currency are recognised in the statement of comprehensive income.
The exchange rates of the main currencies were the following:

Currency	December 31st, 2017	December 31st, 2016	**Variation**
Euro (EUR)	4.6597	4.5411	+2.61%
American Dollar (USD)	3.8915	4.3033	-9.57%

(b) Accounting for the hyperinflation effect
According to IAS 29 *Financial Reporting in Hyperinflationary Economies*, the financial statements of an entity whose functional currency is the currency of a hyperinflationary economy must be presented in the current measurement unit at the balance sheet date (the non-monetary items are restated using a general index of prices on the purchase or contribution date).
According to IAS 29, an economy is considered hyperinflationary if, besides other factors, the cumulated inflation rate for a period of three years exceeds 100%.
The steady decrease of the inflation rate and other factors related to the characteristics of economic environment in Romania indicate the fact that the economy whose functional currency was adopted by the Group ceased to be hyperinflationary, with affect on the financial periods starting from January 1st, 2004.
Thus, the values expressed in the current unit of measurement as at December 31, 2003 are treated as basis for the book values reported in the separate financial statements and do not represent measured values, replacement cost or any other measurement of the current value of assets or of the prices at which the transactions would take place at this moment.
For the purpose of the preparation of separate financial statements, the Group adjusts the share capital in order to be expressed in the current unit of measurement as at December 31st, 2003.

(c) Financial instruments

(i) Non-derivative financial assets

The Group recognises initially the financial assets (loans, receivables and deposits) on the date on which these were initiated. All other financial assets are recognised initially on the trade date when the Group becomes part of the contractual conditions of the instrument.
The Group derecognises a financial asset when the contractual rights of the cash flow generated by the asset expire or when the rights to collect the contractual cash flows of the financial asset are transferred by a transaction through which the risks and benefits of the property right of the

financial asset are transferred in a significant way. Any interest in the transferred financial asset which is created or kept by the Group is recognised separately as an asset or a liability.
The financial assets and liabilities are set off and the net value is presented in the statement of financial position only when the Group has the legal right to set off the values and intends to either settle on a net basis or realise the asset and simultaneously settle the obligation.
The Group holds the following non-derivative financial assets: cash and cash equivalents, receivables and held-to-maturity investments.
Receivables
Receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are initially recognised at fair value plus other directly attributable transaction costs. Subsequent to initial recognition, receivables are measured at amortised cost using the effective interest method less the amount of impairment losses. Receivables include trade and other receivables.
Cash and cash equivalents
Cash and cash equivalents include cash balances, current accounts and refundable deposits with up to three months maturity from the date of acquisition and which are subject to an insignificant risk of changes in their fair value and which are used by the Group to manage its short-term commitments.
Held-to-maturity investments
Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity that the entity has the firm intention and ability to hold to maturity. Investments held to maturity are initially recognised at fair value plus any directly attributable transaction costs.
Subsequent to initial recognition, these are measured at cost less any impairment losses.
(ii) Non-derivative financial liabilities
The Group initially recognises the non-derivative financial liabilities on the trade date, when the Group becomes part of the contractual conditions of the instrument. These are recognised initially at fair value plus any directly attributable transaction cost. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method.
The Group derecognises a financial liability when the contractual liabilities are paid or cancelled or expire.
The Group holds the following non-derivative financial liabilities: loans, financial leasing contracts, bonds held to subcontractors, trade and other liabilities.
(iii) Share capital –Ordinary shares
Ordinary shares are classified as part of shareholders' equity. The additional costs directly attributable to the issue of ordinary shares and share warrants are recognised as shareholders' equity decrease at net value of tax effects.
(d) Tangible assets
(i) Recognition and measurement
Tangible assets recognised as assets are initially measured at cost by the Group. The cost of a tangible asset item consists of the purchase price, including non-refundable duties, after deducting any trade discounts and any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by the management, such as: employee expenses arising directly from the construction or acquisition of assets, costs of site preparation, initial delivery and handling costs, professional fees.
The cost of a tangible asset item built by the entity includes:

- cost of materials and expenses directly related to the personnel;
- other costs directly attributable to bringing the assets to the condition necessary for the intended use;
- when the Group is obliged to move the asset and to restore the related area, an estimation of costs related to dismantling, removing of property items and restoring the area where these were capitalised; and
- costs of capitalised borrowing.

When parts of certain items a tangible asset have different useful life, these are accounted for as separate items (major components) of tangible assets.
According to IFRS 1, if an entity uses fair value as deemed cost for an item of tangible assets or intangible asset in the opening statement of financial position, the first financial statements of the entity prepared according to the International Financial Reporting Standards must present each item from the opening statement of financial position according to the International Financial Reporting Standards:

- aggregate amount of that fair values; and
- aggregate adjustment of the book values reported according to the previous accounting principles.

The value of the Group 's tangible assets as of December 31st, 2017 and December 31st, 2016 is detailed in note 6.
Tangible assets are classified by the Group under classes of assets of the same nature and with similar use:

- land;
- buildings;
- equipments, technical installations and machinery;
- means of transport;
- other tangible assets.

Land and buildings existing in balance on the transition date are highlighted using the deemed cost method, this representing the fair value on the date of last revaluation (December 31, 2008) carried out prior to the transition date less any subsequently cumulated amortisation and any cumulated impairment losses until December 31, 2010.
Other tangible assets are highlighted at cost less any cumulated amortisation and any cumulated impairment losses, these being purchased by the Group after December 31st, 2003.

(ii) Reclassification as investment property

When the use of a property is changed from owner-occupied property into investment property, the property is recognised at book value of the transferred property and this does not change the cost of that property for the purpose of measurement or for the presentation of information. On the date of transition to IFRS the Company reclassified a series of land, buildings and investments in progress from property to investment property after their analysis according to IAS 40 *Investment property*.

(iii) Subsequent expenses

Subsequent expenses are capitalised only when these increase the value of future economic benefits incorporated in the asset for which are intended. Repairs and maintenance expenses are recognised in profit loss as incurred.

(iv) Amortisation

Items of tangible assets are amortised from the date when these are available for use or are in running order, and for the assets built by the entity, from the date when the asset is finished and prepared for use.
Amortisation is calculated by using the straight-line method, charged over the estimated useful life of the assets, as follows:

Constructions	8-60 years
Equipment	2-15 years
Means of transport	2-15 years
Furniture and other tangible assets	4-15 years

Land is not subject to amortisation, only land improvements with a useful life of 24 years.
Amortisation is usually recognised in profit and loss, except for the case when the amount is included in the book value of another asset.
Leased assets are amortised for the shortest period from the leasing contract duration and useful life except for the case when it is estimated with reasonable certainty that the Group will acquire the property right at the end of the leasing contract.
Amortisation methods, estimated useful life as well as the residual values are revised by the Group's management on each reporting date and adjusted, if applicable.

(v) Sale/ disposal of tangible assets

Tangible assets that are disposed of and sold are eliminated form the balance together with the related cumulated amortisation. Any profit or loss resulting from such an operation is included in current profit or loss.

(e) Intangible assets

(i) Recognition and measurement

Intangible assets purchased by the Group and that have determined useful life are measured at cost less cumulated amortisation and cumulated impairment losses. These were purchased by the Group after December 31st, 2003.

(ii) Research and development

Expenses with development activities carried out to gain knowledge or scientific interpretations or new techniques are recognised in profit or loss when incurred.

Development activities imply a plan or project aiming at new or substantially improved products or processes. Development costs are capitalised only if these can be measured reliably, the product or process is feasible from a technical and commercial point of view, the future economic benefits are probable and the Group intends and has sufficient resources to finish the development and to use or sell the asset. Capitalised expenses include cost of materials, direct costs with personnel and administrative costs that are directly attributable to the preparation of the asset for the intended use and costs of the capitalised borrowing. Other development costs are recognised in profit or loss when incurred.

(iii) Subsequent expenses

Subsequent expenses are capitalised only when these increase the value of future economic benefits incorporated in the asset for which are intended. All other expenses, including expenses related to internally generated goodwill and brands are recognised in profit or loss when incurred.

(iv)Amortisation

Amortisation is calculated for the cost of the asset less residual value.

Amortisation is recognised in profit or loss using the straight-line method, charged over the estimated useful life of the intangible assets, other than goodwill, from the date these are available for use. The estimated useful life for the current period and for the comparative periods is the following:

- software 1-5 years

Amortisation methods, estimated useful life as well as the residual values are revised at the end of each financial year and are adjusted, if applicable.

(f) Investment property

Investment property is property held either to be leased or to increase the value of capital, or for both, but not to sell in the normal course of business, to use for the production or provision of goods or services or for administrative purposes.

Investment property is initially measured at cost and subsequently measured at cost less cumulated amortisation and cumulated impairment losses.

Cost includes expenses that can be directly attributed to the purchase of investment property. Cost of self-constructed investment property includes cost of materials and direct labour force, plus other costs directly attributed to bringing the investment property to a working condition intended for use as well as costs of capitalised borrowing.

The Group measures the investment property existing in balance on the date of transition to IFRS at deemed cost that represents the fair value on the date of last revaluation (December 31st, 2008) carried out prior to the transition date less any accumulated amortisation and any accumulated impairment loss until December 31st, 2010.

Any profit or loss resulting from the disposal of a property investment (calculated as a difference between the net disposal proceeds and the book value of the item) is recognised in profit or less.

(g) Inventories

(i) Recognition and measurement

Stocks are measured at the lower of cost and net realisable value.

The cost of inventories is based on the first-in first-out (FIFO) principle and includes the expenses

incurred related to purchase of inventories, production or processing costs and other costs incurred in bringing the stocks to their present location and condition.
Inventories used in retail activities are measured at the sale price.
The Group holds in inventories self-constructed apartments intended for sale. Costs incurred by the construction of these apartments include:

- purchase price;
- import duties and other taxes (except for those recovered subsequently from the tax authorities);
- transport costs;
- handling costs;
- other costs directly attributable to the purchase of finished goods, materials and services;
- costs directly attributed to product units (e.g. direct labour);
- systemic allocation of fixed production overheads (e.g. amortisation, maintenance of departments and machinery costs with the department management and administration, etc.);
- systemic allocation of fixed production overheads (e.g. indirect materials, indirect labour force etc. that vary proportionally with the volume of production);
- overheads, other than those relating to production;
- borrowing costs.

Net realisable value is the selling price estimated in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.
(ii) Reclassification as investment property
When the use of a property is changed from the category of inventories into investment property, the property is recognised at book value of the transferred inventories.
(h) Construction contracts in progress
The construction contracts are covered by IAS 11 *Construction contracts*. Constructions under progress represent the gross value expected to be collected from clients for the works performed up to the present. The measurement is carried out at cost plus profit recognised up to the present less the amounts invoiced for the work performed up to the present and recognised losses. The cost includes all expenses directly related to specific projects and an allocation of the fixed and variable administrative expenses incurred within the contractual activities of the Group based on normal operational capability.
Constructions in progress are presented as part of trade receivables in the statement of financial position for all contracts for which the costs incurred plus recognised profit exceed the amounts invoiced for the performed work and recognised losses. If the amounts invoiced for the work performed and the recognised losses exceed the costs incurred plus the recognised profit, then the difference is presented in the statement of financial position as deferred revenue. Advance payments collected form clients are presented as deferred revenue in the statement of financial position.
(i) Impairment of assets
Non-financial assets
The book value of the Company's assets that are non-financial, other than deferred tax assets, is revised on each reporting date to identify the existence of impairment indications. If such indications exist, the recoverable amount of those assets will be estimated.
An impairment loss is recognised when the book value of the asset or its cash-generating unit exceeds the recoverable amount of the asset or its cash-generating unit. A cash-generating unit is the smallest identifiable group generating cash and which is able to generate cash flows independently from other assets or groups of assets. Impairment losses are recognised in the statement of comprehensive income.
The recoverable value is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use. In order to determine the value in use, the expected future cash flows are discounted by a discount rate before taxation that reflects the current market conditions and risks specific to that asset.
The impairment losses recognised in the previous periods are measured on each reporting date to

determine if these have diminished or no longer exist. The impairment loss shall be reversed if there has been a change in the estimates used to determine the asset's recoverable amount. The impairment loss is reversed only if the book value of the asset does not exceed the book value that would have been calculated, net of amortisation and depreciation, if the impairment loss would not have been recognised.

Financial assets

Impairment losses related to financial assets available for sale are recognised through the reclassification of losses accumulated in fair value reserves, from shareholders' equity in profit or loss. The accumulated loss that was reclassified from shareholders' equity into profit or loss is the difference between the acquisition cost, net of principal repayment and amortisation, and the current fair value less any impairment loss previously recognised in profit or loss. Changes in accumulated impairment losses attributable to the application of effective interest method are reflected as a component of the interest income. If, in a subsequent period, the fair value of a liability instrument impaired available for sale increases and the increase can be associated in an objective way with an event that took place after the impairment loss was recognised in profit or loss, then the impairment loss is reversed and the value of reversal is recognised in profit or loss. Nonetheless, any subsequent recovery of the fair value of an equity instrument impaired available for sale is recognised in other items of comprehensive income.

(j) Dividends to be distributed

Dividends are treated as allocation of profit in the period when these were declared and approved by the General Assembly of Shareholders. Dividends declared previously to the reporting date are registered as obligations as at the reporting date.

The dividends distributed to shareholders, proposed and declared after the reporting period, as well as other similar distributions made from the profit determined based on the IFRS and included in the annual financial statements, do not have to be recognised as liability at the end of the reporting period.

(k) Revaluation reserves

The last accounting revaluation of the non-current assets was carried out on December 31st, 2008. The revaluation of land and buildings belonging to the patrimony was carried out by an authorised company.

On the date of transition to the International Financial Reporting Standards, the group measured the non-current assets and immovable assets at deemed price. The allegedly assigned costs for these assets have been set on December 31st, 2008, after reassessment. Upon the transition to IFRS, the revaluation reserves in the balance as well as the reserve representing revaluation surplus realized were reversed to the retained earnings. To quantify the fiscal impact, according to IFRS 12, the deferred income tax was registered.

Starting from the date of transition to the IFRS, the Group chose as cost model the cost-based amortization for all assets and liabilities.

(l) Legal reserves

Legal reserves are constituted at a rate of 5% of the statutory gross profit from the end of the year until the total legal reserves has reached 20% of the (statutory) nominal share capital paid up according to the legal provisions. These reserves are deductible upon the calculation of the income tax and are distributable only upon the Group's liquidation.

(m) Related parties

Parties are regarded related if one of the parties has the possibility to control directly or indirectly or to influence significantly the other party either by property, contracting rights, family relations or other, as defined in IAS 24 *Related party disclosures*.

(n) Employee benefits

(i) Short-term benefits

Obligations with short-term employee benefits are measured discount and the expense is recognised as the related services are provided. A liability is recognised at the value expected to be paid within some short-term plans for granting cash bonuses or participation in profit if the Group has legal or implicit obligation to pay this amount for services provided previously by the employees and the

obligation can be estimated reliably.
Short-term employee benefits include wages, premiums and contributions to social securities. Short-term employee benefits are recognised as expense when services are provided.

(ii) Defined contribution plan

The Group makes payments on behalf of its own employees to the pension system of the Romanian State, health insurance and unemployment fund, during the normal performance of activity.
All employees of the Group are members and also have the legal obligation to contribute (through the social security contributions) to the pension system of the Romanian State (a defined contribution plan of the State). All related contributions are recognised in profit or loss of the period when these are paid. The Group does not have other additional obligations.
The Group is not engaged in any independent pension system and, therefore, does not have any kind of obligation in this sense. The Group is not engaged in any other post-retirement benefit system. The Group does not have the obligation to provide subsequent services to former or current employees.

(iii) Long-term employee benefits

The Group's net obligation concerning the benefits related to long-term services is represented by the value of future benefits that the employees earned in exchange of services provided by them in the current and previous periods.
The Group is obliged to grant the employees benefits on the retirement date, according to the collective bargaining agreement.

(iv) Termination benefits

Termination benefits are recognised as expenses when the Group can prove, without real possibility of waiver, commitment to a detailed official plan either to terminate labour agreements before the normal retirement date or to offer benefits for the termination of the labour agreements as a result of an incentive offer of voluntary redundancy. Expenses with termination benefits for voluntary redundancy are recognised if the Group made an incentive offer for voluntary leave, it is likely that the offer will be accepted, and the number of those who will accept it may be estimated in a reliable way. If the benefits are due over 12 months after the reporting period, these are discounted at their present value.

(o) Provisions

A provision is recognised if, following a prior event, the Group has a present legal or implicit obligation that can be estimated in a reliable way and it is likely that an outflow of economic benefits is necessary to settle the obligation. Provisions are determined by discounting expected future cash flows using a pre-tax rate that reflects current market measurements concerning time value of money and risks specific to the liability. Amortisation of discount is recognised as financial expense.

(i) Warranties

The provision for warranty is recognised when the products or services covered by the warranty are sold. The Group established provisions for warranties for the construction works performed for its clients.
The value of provision is based on historical information concerning the warranties granted and is estimated by weighting all possible incomes with the probability of their occurrence. Starting from 2011, the provisions were recognised at the level of performance bonds specified in agreements, applied to the value of recognized income.

(p) Revenue

(i) Sale of goods

Revenue form sale of goods in the course of current activities are measured at the fair value of the consideration collected or to be collected less returns, trade discounts and rebates for volume. Revenue is recognised when significant risks and benefits related to the property right were transferred to the client, the recovery of the consideration is probable, the related costs and possible returns of goods may be estimated reliably, the entity is no longer implied in the management of the goods sold and the volume of income can be measured reliably. If it is likely that certain discounts or rebates are granted and their value can be measured reliably, then these are recognised as a

reduction in revenue when the sales are recognised.
The time when the transfer of risks and benefits takes place varies depending on the individual terms of sale agreements.
In case of hire purchases or in case the maturity is deferred beyond normal terms, one component of the interest will be recognised.

(ii) Provision of services

Revenue from provision of services is recognised in profit or loss in proportion to the stage of completion of transaction on the reporting date. The stage of completion is measured in connection with the analysis of the executed works.

(iii) Construction contracts

Contract revenues include the initial value established in the contract plus changes in the contracted works, claims and incentive payments to the extent that these are likely to lead to an income and can be measured reliably. When the outcome of a construction contract can be measured reliably, the contract revenues are recognised in profit or loss in proportion to the stage of contract completion. The stage of completion is recognised as percentage of completion method. According to this method, the contract revenues are matched to contract costs incurred in reaching the stage of completion, resulting in the reporting of income, expenses and profit attributable to the proportion of works completed. When the outcome of a construction contract cannot be measured reliably, the contract revenue is recognised only to the extent of costs incurred within the contract that are expected to be recoverable.
Contract expenses are recognised when incurred except for the case when these create an asset related to a future contract activity. An expected loss related to the contract is recognised immediately in profit or loss.

(iv) Rental income

Rental income related to investment property is recognised as revenue, on a straight-line basis over the lease term. The incentives related to lease contracts are recognised as integral part of the total rental income, over the lease agreement term. Rental income from other properties is recognised as other income.

(q) Leases

(i) Assets purchased under lease

Assets held by the Group based on a lease which transfers substantially all risks and benefits related to the property right to the Group, are classified as financial lease. Upon initial recognition, the leased asset is measured at the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for according to the accounting policy applicable to that asset.
The assets held within other leases are classified as operating leases and are not recognised in the Company's statement of financial position.

(ii) Lease payments

Payments made within operating leases are recognised in profit or loss on a straight-line basis over the lease term. Incentives related to operating leases received are recognised as integral part of the total lease expenses, over the lease term.
Minimum lease payments made within a finance lease are allocated between financial expense and reduction of outstanding liability. Financial expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

(r) Financial income and expenses

Financial income includes interest income on invested funds and other financial income. Interest income is recognised in profit and loss based on accrual-based accounting using the effective interest method.
Financial expenses include interest expense with loans and other financial expenses.
All borrowing costs that are not directly attributable to the acquisition, construction or production of qualifying assets are recognised in profit or loss using the effective interest method.
Foreign exchange gains and losses related to financial assets and liabilities are reported on a net basis either as financial income or as financial expense depending on currency fluctuations: net gain

or net loss.

(s) Tax

Income tax expense includes current tax and deferred tax.

Income tax is recognised in the statement of comprehensive income or in other items of the comprehensive income if the tax is related to capital items.

(i) Current tax

Current tax is the tax payable on income earned in the current period, determined based on rates applied on the reporting date and on all adjustments related to the previous periods.

For the financial year ended December 31st, 2017, the income tax rate was of 16% (December 31st, 2016: 16%). Tax rate applicable to income from taxable dividends was of 5% (December 31st, 2016: 5%).

(ii) Deferred tax

Deferred tax is determined by the Group by balance approach for those temporary differences which occur between the tax base of assets and liabilities and their book value, used for reporting in the separate financial statements.

Deferred tax is calculated based on the tax base which is expected to be applicable to the temporary differences when these are reversed, based on the legislation in force on the reporting date.

Receivables and payables with deferred tax are set off only if there is legal right to set off the current payable and receivables against tax and if these are related to tax collected by the same tax authority for the same entity subject to tax or for different tax authorities but that wish to settle current receivables and payables against tax on a net basis or the related assets and liabilities will be simultaneously realised.

Receivable related to deferred tax is recognised by the Group only to the extent that future profits are likely to be realised so as to be used to cover tax losses. Receivable related to deferred tax is revised at the end of each financial year and is reduced to the extent that the related tax benefit is unlikely to be realised. Additional taxes resulting from the distribution of dividends are recognised on the same date with the obligation of dividend payment.

(iii) Tax exposures

In order to determine the value of current and deferred tax, the Group takes into account the impact of uncertain tax positions and the possibility of additional taxes and interests. This measure is based on estimations and assumptions and can imply a series of judgements concerning future events. New information can become available, thus determining the Group to modify its judgment regarding the accuracy of the estimation related to existing tax obligations; such changes of tax obligations have effect on tax expenses in the period when such a determination is carried out.

(t) Earnings per share

The Company Transilvania Constructii presents the basic and diluted earnings per share for ordinary shares. The earnings per share is determined by division of profit or loss attributable to the Group's ordinary shareholders to the weighted average number of ordinary shares related to the reporting period. Diluted earnings per share are determined by the adjustment of the profit or loss attributable to ordinary shareholders and weighted average number of ordinary shares with dilutive effects generated by potential ordinary shares.

(u) Segment reporting

A segment is a separate component of the Group that supplies certain products or services (business segment) or provides products or services in a certain geographic environment (geographic segment) and which is subject to risks and benefits different from those of other segments. On December 31st, 2017 and December 31st, 2016, the Group identified business segments and did not identify significant geographic segments subject to reporting.

Income obtained by segments that are reported to the Group's management (chief operating decision maker) includes items directly attributable to a segment as well items that can be allocated on a reasonable basis. Items not allocated include mainly corporate assets (first and foremost the Group's headquarters), expenses related to the central office, receivables and payables related to income tax, earnings on disposal of assets, income and expenses from provisions.

(v) Contingent assets and liabilities

Contingent liabilities are not recognised in financial statements. These are presented except for the case when the possibility of an outflow of resources representing economic benefits is remote.
A contingent asset is not recognised in the financial statements but presented when an inflow of economic benefits is probable.

(w) Subsequent events

The financial statements reflect the events after the end of the year, events that provide additional information about the Group's position on the reporting date or those that indicate a possible infringement of the going concern principle (events that determine adjustments). Events after the end of the year which are not events that determine adjustments are presented in notes if considered significant.

(x) Comparative figures

The statement of financial position for the financial year ended December 31st, 2017 presents comparability with the statement of financial position for the periods ended December 31st, 2016. The statement of comprehensive income for the financial year ended December 31st, 2017 presents comparability with the statement of comprehensive income as at December 31st, 2016.

(y) New standards and interpretations

The following new Standards, *amendments brought to the Standards* and Interpretations are not mandatorily in force for annual periods commencing as of January 1st, 2017 or after such date, and they have not been applied in preparing separate financial statements. The Group intends to adopt such rulings whenever they enter into force.

1.Standards, Interpretations and amendments to the Standards published which have not entered into force yet for annual periods commencing as of January 1st, 2017

- IFRS 15 Income from agreements with clients and Clarifications on IFRS 15 Income from agreements with clients)

(In force for annual intervals commencing on or after January 1st, 2018. Prior application of this date is possible.)

The new standard provides a framework that replaces the existing income recognition provisions in IFRS. Entities will adopt a five-step model to determine when to recognize revenue, and for what value. The new model specifies that earnings should be recognized when (or as) an entity transfers control of the goods or services to a customer at the amount the entity expects to be entitled to. If certain criteria are met, the income is recognized:

- *As time passes, in a manner that describes the performance of the entity; or*
- *at a certain time, when control of the goods or services is transferred to the client*

IFRS 15 also establishes the principles that an entity will apply to provide qualitative and quantitative information useful to users of the financial statements in respect of the nature, amount, planning and uncertainty of cash flows and income related to a contract with a client.
The clarifications on IFRS 15 enlighten some of the requirements of the Standard and provide additional transitional exemptions for companies that implement the new standard.
The amendments clarify the method of:

- *identifying a contractual obligation - the promise to transfer a good or service to a client - into a contract;*
- *determining whether a company is a principal (supplier of good or service) or agent (responsible for the organization that the good or service is provided); and*
- *determining whether the revenue from a license must be recognized at a time or in time.*

The amendments also provide entities with two additional practical solutions:

- *An entity does not have to rewrite contracts that are finalized at the beginning of the earliest period presented (for entities using only the full retrospective method);*
- *For contracts modified before the beginning of the earliest period presented, an entity should not retroactively reverse the contract but instead reflect the aggregate effect of all changes occurring before the earliest date presented (also for entities that recognize the cumulative effect of the initial application of the standard at the time of the initial application).*

Although it has not yet fully completed the initial assessment of the potential impact of IFRS 15 on the Group's financial statements, the management does not expect the new standard, when applied for the first time, to have a significant impact on the Group's financial statements. Most likely, the timing of recognition and the manner in which the group's income is measured will not change after the adoption of IFRS 15 due to the nature of the group's operations and the types of revenue it obtains.

- IFRS 9 Financial instruments (2014)

(In force for annual intervals commencing on or after January 1st, 2018; shall be applicable retroactively, with certain exceptions. Restoration of previous periods is not necessary and it is allowed only if the information is available without a retroactive interpretation. Prior application of this date is possible.)

This Standard replaces the provisions of IAS 39, Financial Instruments: Recognition and measurement, except for the exception in IAS 39 on hedging against exposure to fair value interest rate risk on a portfolio of financial assets or financial liabilities to protect the fair value of a rate exposures, entities also having the choice of policy accounting for the application of IFRS 9 hedge accounting requirements or the continued application of existing hedge accounting requirements in IAS 39 for all hedge accounting until the entry into force of the IASB standard on hedging macroeconomic accounting.

Although the valuation basis admitted for financial assets - depreciated, fair value through other comprehensive income (FVI) and fair value through profit or loss (FVTPL) - are similar to IAS 39, the criteria for classification in the corresponding rating category.

A financial asset is measured at an amortized cost if the following two requirements are met:

- *assets are held in a business model aiming to hold assets for the purpose of collecting contractual cash flows; and,*
- *its contractual terms give rise, at specified times, to cash flows, representing only the principal and the interest on the unpaid principal.*

Otherwise, for example, in the case of equity instruments of other entities, a financial asset will be measured at fair value.

Gains and losses from the revaluation of financial assets measured at fair value are recognized in the income statement except for assets held in a business model, the objective of which is achieved both through the collection of contractual cash flows and the sale of assets financial - these gains and losses from revaluation are recognized in the OCI.

In addition, for a non-traded equity instrument, a company may choose to irrevocably present subsequent changes in fair value (including foreign exchange gains and losses) in other irrevocable items of comprehensive income. They are not reclassified to the profit and loss account in any form.

In the case of debt instruments valued at FVOCI, the interest income, the expected loss from depreciation and the gains or losses on foreign exchange differences are recognized in the account for profit or loss, in the same way as for assets measured at an amortized cost. Other gains and losses are recognized in other comprehensive income items and are reclassified to profit or loss at the time of derecognition.

The depreciation model in IFRS 9 replaces IAS 39's 'underwriting loss' model with a 'projected loss of credit' model (ECL), which means that there will no longer be a need for a loss event to occur before the recognition an adjustment for impairment.

The new depreciation model will apply to financial assets measured at amortized cost or FVOCI except for investments in equity instruments and contractual assets.

In accordance with IFRS 9, the provisions for losses will be measured on one of the following bases:

- *ECL for 12 months: these ECLs result from possible non-payment events within 12 months of the reporting date; and*
- *ECL for life: these ECLs result from all possible non-payment events over the expected life of a financial instrument.*

IFRS 9 includes a general new pattern of hedge accounting that more closely aligns the hedge accounting with risk management. Types of hedging relationships - fair value, cash flows and net investment in foreign operations - remain unchanged, but additional professional judgment will be required.

The Standard contains new requirements to achieve, continue and discontinue the hedge accounting and allows for additional exposures to be designated as covered items.

Additional disclosures of information are required on the entity's risk management and hedging activities.

The group expects that the new standard, when first applied, will have a material impact on the financial statements. The group is in the process of defining the new depreciation calculation methods.

- ***Amendments brought to IFRS 4: Application IFRS 9 Financial instruments with IFRS 4 Insurance agreements***

(In force for annual intervals, beginning as of or after January 1st, 2018; implementation prior to this date is allowed).

The amendments address the concerns related to the implementation of IFRS 9 before the implementation of the IFRS 4 replacement standard currently developed by the IASB. The changes bring two optional solutions. One solution is a temporary relief from IFRS 9, effectively postponing its application for some insurers. The other is an overlap approach presentation to mitigate the volatility that may occur when applying IFRS 9 before the next standard on insurance contracts.

The group does not anticipate an impact on the financial statements.

- ***IFRS 16 Leasing***

(In force for annual intervals, beginning as of or after January 1st, 2019). Prior application of this date is permitted if the entity also applies IFRS 15).

IFRS 16 replaces IAS 17 Leasing and the corresponding interpretations. The standard eliminates the current accountancy model for tenants and instead requires companies to recognize most of the lease contracts in a single model, eliminating the distinction between operating and financial leasing.

In accordance with IFRS 16, a contract is or contains a lease if it transmits the right to control the use of an asset identified for a period of time in return for consideration. In the case of this type of contract, the new model requires a tenant to recognize an asset with the right to use the underlying asset and a lease liability. The asset on the right of use is depreciated and the debt accrues interest. This will result in a pattern of greater expense recognition at the beginning of contracts for most leases, even when the tenant pays constant annual rents.

The new standard introduces a number of exceptions from the scope for users that include:

- *leasing contracts with a rental period of 12 months or less, that do not include acquisition options and*
- *leasing contracts where the underlying asset is of low value ('low-value' leasing transactions).*

The owner's accounting will remain largely unaffected by the introduction of the new standard, and the distinction between operating and financial leases will be retained.

The group is undergoing an analysis of the impact for the new standard on financial statements.

- ***Annual improvements brought to IFRS cycle 2014-2016***

(In force for annual intervals, beginning as of or after January 1st, 2018, except for IFRS 12 amendments which are applicable for annual intervals as of or after January 1st, 2017)

The improvements brought to IFRS (2014-2016) include 3 amendments to the standards. The main changes have referred to: The main changes have referred to:

- *the removal of short-term reliefs for first-time adopters (IFRS 1 First-time adoption of international financial reporting standards) regarding, inter alia, the transition from IFRS 7 Financial Instruments: information to be provided on comparative disclosures and transfers of financial assets and IAS 19 Employee benefits; Exemptions were removed because they were available to entities only for past reporting periods;*
- *clarifying the requirements in IFRS 12 Presentation of interests in other entities except presentation of financial statements outlined in accordance with paragraphs B10-B16 of that standard) which applies to entities that have an interest in subsidiaries or joint ventures or associates or unconsolidated structured entities that are classified as held for sale or discontinued operations in accordance with IFRS 5 Non-current assets held for sale and discontinued operations; and*

to clarify that the choice of exemption from applying the equity method in accordance with IAS 28 Investments in associates and joint ventures shall be made separately for each associate or joint venture in the initial recognition of an associate or joint venture.

It is expected that none of these changes will have a significant impact on the Group, because the Group does not have interests in subsidiaries, joint ventures, associates or unstructured structured entities that are classified as held for sale or discontinued operations, and the group does not use an exemption from the equity method of justifying the interest or associates and joint ventures..

2. Standards and interpretations which have not yet been adopted by the European Union

- ***Amendments to IFRS 10 and IAS 28 Sale or contribution of assets between an investor and the associate or joint venture***

(The European Commission has decided to postpone the approval for an indefinite period.)

The amendments clarify that in a transaction involving an associate or joint venture, the degree of recognition of earning or loss depends on the extent to which the assets sold or contributed constitute an enterprise, so that:

- *a gain or loss is fully recognized when a transaction between an investor and the associate or joint venture involves the transfer of an asset or of the assets constituting a business (whether incorporated into a subsidiary or not) over time, whereas*
- *a gain or loss is partially recognized when a transaction between an investor and an associate or an associate or joint venture involve assets which do not constitute business, whether incorporated into a subsidiary or not*

The Group expects the amendments, when applied for the first time, to have no material impact on the financial statements.

- ***IFRS 17 Insurance contracts***

(In force for annual intervals, beginning as of or after January 1st, 2021; applicable in perspective. Prior application of this date is possible.)
This ruling has not been approved by the EU yet.
IFRS 17 solves the comparability issues created by IFRS 4, requiring all insurance contracts to be accounted for consistently to the benefit of both investors and insurance companies. Insurance liabilities will be accounted for using the current value instead of the historical cost.
The Group expects the amendments, when applied for the first time, to have no material impact on the financial statements of the company, as the group does not carry out activity in the insurance sector.

- ***IFRIC 22 Foreign currency transactions and the consideration paid in advance***

(In force for annual intervals commencing on or after January 1st, 2018. Prior application of this date

is possible.)
This interpretation has not been approved by the EU yet.
IFRIC 22 provides for the exchange rate requirements used to record foreign currency transactions (such as income transactions) when the payment is made or received in advance and clarifies that the transaction date is the date on which the company initially recognizes the prepaid or deferred income paid in advance. For transactions involving multiple payments or collections, each payment or collection gives rise to separate transaction data.
The group expects that the Interpretation, when applied for the first time, will not have a material impact on the financial statements as the group uses the exchange rate from the transaction date for the initial recognition of the non-cash asset or non-monetary liability resulting from the payment or collection of advance payments.

- ***IFRIC 23 Uncertainties about the treatment of corporate tax***

(In force for annual intervals, beginning as of or after January 1st, 2019). Prior application of this date is possible.)
This interpretation has not been approved by the EU yet.

IFRIC 23 clarifies the accounting for the profit tax treatments that have not yet been accepted by the tax authorities, while at the same time aiming at increasing transparency. According to IFRIC 23, the key-test is whether the tax authority is likely to accept the tax treatment chosen by the entity. If the tax authorities are likely to accept the uncertain tax treatment, then the tax amounts recorded in the financial statements are consistent with the tax statement, with no uncertainty reflected in the current and deferred tax assessment. Otherwise, taxable income (or tax loss), tax bases and unused tax losses are determined in a way that predicts better the settlement of uncertainty, using either the most probable value or the expected value (probability-weighted amount). An entity must assume that the tax authority will examine the position and will be fully aware of all relevant information.
The group does not expect for the Interpretation, when applied for the first time, to have a material impact on the financial statements, since the group does not operate in a complex multinational fiscal environment/does not have significant uncertain tax positions.

- **Amendments brought to IFRS 2: *Classification and assessment of transactions with share-based payment***

(In force for annual intervals, beginning as of or after January 1st, 2018; applicable in perspective. Prior application of this date is possible.)

These amendments have not been approved by the EU yet.
The amendments clarify the accounting of payments based on shares in the following areas:

- *the effects of the vesting conditions or their absence on the valuation of cash-settled share-based payments;*
- *transactions with share-based payment, with a net settlement characteristic to withhold tax liabilities; and*

a change in the terms and conditions of a share-based payment that changes the tradability classification from cash settled to equity settled.
The Group expects the amendments, when applied for the first time, to have no material impact on the financial statements, as the group does not enter into share-based transaction.

- ***Amendments brought to IAS 40 Property investment transfers***

(In force for annual intervals commencing on or after January 1st, 2018. Prior application of this date is possible.)
These amendments have not been approved by the EU yet.
Amendments clarify transfers to or from investment properties:

- *a transfer to or from investment properties should be made only when there has been a change in the use of the property; and*
- *such a change of use would require an assessment if the property qualifies as an investment property.*

The Group expects the amendments to have no material impact on the financial statements, as the group assigns a real estate property by and from investment properties only when there is a real change in use.

- Amendments brought to IFRS 9: Advance payments with negative compensation
(In force for annual intervals commencing on or after January 1st, 2019)
The amendments have not been approved by the EU yet.
These amendments address the concerns about accounting for financial assets that include specific early payment options. In particular, the concern was related to how a company would classify and measure a debt instrument if the borrower would be allowed to pay the instrument in advance, at a lower amount than the principal and the interest due. Such an early payment amount is often described as including 'negative compensation'. By applying IFRS 9, a company would measure a financial asset with the so-called negative compensation at fair value through profit or loss.
The amendments allow entities to measure at depreciated cost certain financial assets payable in advance with the so-called negative compensation.

The entity expects the amendments to have no material impact on the financial statements, as the entity does not have prepayable financial assets, with negative compensation.

- ***Amendments to IAS 28 Long-term interests in associates and joint ventures***

(In force for annual intervals commencing on or after January 1st, 2019)
The amendments have not been approved by the EU yet.

The amendments clarify that a venture capital fund or mutual fund, an investment unit and similar entities may, at their initial recognition, choose to invest in an associate or joint venture, at fair value, through profit or loss, separately for each associate or joint venture.

The financial statements of the group will not be impaired because the group is not a venture capital have a mutual investment fund.

- ***Annual improvements brought to IFRS cycle 2015-2017***

(In force for annual intervals commencing on or after January 1st, 2019)
These annual improvements have not been approved by the EU yet.

The improvements brought to IFRS (2015-2017) include 4 amendments to the standards. The main changes have referred to:

- *clarifying that the entity reassesses its previously held interest in a joint operation when it holds control on the activity in accordance with IFRS 3 Business combinations;*
- *clarifying that the entity does not reassess the interest previously held in a joint operation when it holds control on the joint business in accordance with IFRS 11 Joint commitments;*
- *clarifying that the entity must always account for the income tax consequences of dividend payments in profit or loss, other comprehensive income or equity, depending on the place where the entity initially recognized the earlier transactions or events that generated distributed profits; and*
- *clarifying that the entity must exclude from the funds borrowed by the entity, in general, the loans specifically made for the purpose of obtaining an active long-term production cycle, until the completion*

of all the activities necessary to prepare that asset for the intended use or sale as the loans made specifically with the purpose of obtaining a long-term asset should not apply to initially made loans in order to obtain an active long-term production cycle, if the asset is ready for the intended use or sale.

The group expects the amendments to have no material impact on the financial statements.

- ***Amendments brought to IAS 19: Employee benefits***

(In force for annual intervals commencing on or after January 1st, 2019)

These annual amendments have not been approved by the EU yet.
The amendments require the entity to use current and updated assumptions when there is a change in a plan, as well as a correction, discount or settlement, to determine the current service cost and net interest for the remainder of the reporting period after the plan has been amended.
The group expects these changes to have no impact on the financial statements, as the entity does not offer employee pension plans.

4. Determination of fair value

Certain accounting policies of the group and requirements related to the disclosure of information require the determination of fair value for the financial and non-financial assets and liabilities. In this case, the fair value of assets and liabilities is determined according to IFRS 13.

5. Business segments

The group has the following reportable segments:

- Parc Logistic Transilvania: includes income and expenses related to the lease by third parties of premises owned by the Company, namely warehouses in Transilvania Logistic Park, located in Cluj Napoca, Orastiei street, nr. 10,
- TRC PARK Cluj: includes income and expenses related to the lease by third parties of premises owned by the Company - warehouses in TRC Park CLuj- located in TETAROM III Jucu Industrial Park, town of Juc-Herghelie, nr. 69B,
- Novis Plaza: includes the revenues and expenses corresponding to the lease by third parties of office spaces existing in the building Novis Plaza-Building A, located in Cluj Napoca, 47, Taietura Turcului street (TETAROM 1 Industrial Park).
- Construction works: include income and expenses related to service provisions of construction and installation works including construction and installation works carried out by the Company itself, to support own development program.

All other segments include ancillary activities providing both internal and external services: sports facility, vehicle and machinery related services and other various activities.
The Group applies the same principle of management both for reportable segments and for business segments included in ‘All other segments’. Thus, at the beginning of each financial year the group draws up an income and expenditure budget by each business segment. A report is drawn up monthly for the Board of Directors in which income, expenses and result by segment are analysed compared to the values provided in the income and expenditure budget of each business segment. Following the analysis of the report, corrective measures are taken in case there are deviations from the budget. Further on, if applicable, the group revises the income and expenditure budget during the financial year to reflect the changes both in internal and external conditions.

(ii) Information on reportable segments

Reportable segments in Ron	Transilvania Logistic Park		TRC Park Cluj		Novis Plaza		Construction works		All other segments		Total	
	2017	**2016**	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**
Income from foreign clients	20,091,346	19,220,885	3,888,624	90,681	359,638	0	0	0	1,095,981	1,052,247	25,435,589	20,363,813
Income from transactions with other segments	0	0	0	0	0	0	23,230,895	29,386,431	933,750	870,870	24,164,645	30,257,301
Income of reportable segment	**20,091,346**	**19,220,885**	**3,888,624**	**90,681**	**359,638**	**0**	**23,230,895**	**29,386,431**	**2,029,731**	**1,923,117**	**49,600,234**	**50,621,114**
Profit of the reportable segment before tax	**6,454,199**	**5,642,020**	**121,639**	**-603,128**	**-1,405,372**	**-378,816**	**667,285**	**1,609,810**	**-314,506**	**258,819**	**5,523,245**	**6,528,705**
Interest expenses	2,048,426	2,108,971	684,764	0	405,693	0	0	0	39,857	77,014	**3,178,740**	**2,185,985**
Amortisation and depreciation expenses	6,925,673	6,691,228	2,038,265	189,176	653,885	103,924	0	0	621,089	598,629	**10,238,912**	**7,582,957**
Other important items of expenses												
Local tax expenses	716,762	813,187	7,649	992	134,334	0	0	0	159,258	139,387	**1,018,003**	**953,566**
Utility expenses	2,337,193	2,252,340	307,949	19,818	140,194	0	148,740	2,488	43,163	85,587	**2,977,239**	**2,360,233**
Wage expenses	228,402	331,656	3,056	0	0	0	0	24,305	158,378	200,533	**389,836**	**556,494**

(iii) Reconciliation of income, profit or loss related to reportable segments

Income
in RON

	2017	**2016**
Total income related to the reportable segments	47,570,503	48,697,997
Income related to other segments	2,029,731	1,923,117
Elimination of income from transactions with other segments	-24,164,645	-30,257,301
Consolidated income	**25,435,589**	**20,363,813**

Profit or loss
in RON

	2017	**2016**
Total profit or loss related to the reportable segments	5,837,751	6,269,886
Profit or loss from other segments	-314,506	258,819
Unallocated amounts:		
Other income	601,957	2,983,768
Other expenses	-7,401,750	-5,628,561
Profit or loss before tax	**-1,276,548**	**3,883,912**

2017
Other significant items

in Ron	**Total reportable segments**	**Adjustments**	**Total company**
Interest expenses	3,178,740	83,741	3,262,481
Amortisation and depreciation expenses	10,238,912	137,667	10,376,579
Other important items of expenses			
Local tax expenses	1,018,003	89,781	1,107,784
Utility expenses	2,977,239	54,327	3,031,566
Wage expenses	389,836	1,132,809	1,522,645

2016
Other significant items

in Ron	**Total reportable segments**	**Adjustments**	**Total company**
Interest expenses	2,185,985	569,322	2,755,307
Amortisation and depreciation expenses	7,582,957	1,340,737	8,923,694
Other important items of expenses			

Local tax expenses	953,566	68,383	1,021,949
Utility expenses	2,360,233	32,780	2,393,013
Wage expenses	556,494	651,595	1,208,089

6. Tangible assets

in Ron	**Land and land development**	**Buildings**	**Technical installations and machinery**	**Other installations, equipment and furniture**	**Fixed assets in progress**	**Total**
Cost						
Balance as of January 1st, 2016	**5,072,939**	**8,607,649**	**5,244,576**	**457,080**	**0**	**19,382,244**
Inflows	0	0	852,326	39,499	0	**891,825**
Transfers from investment properties	0	46,410	2,092,463	0	0	**2,138,873**
Transfers to inventories	0	0	0	0	0	**0**
Outflows	0	0	-133,433	0	0	**-133,433**
Balance as of December 31st, 2016	**5,072,939**	**8,654,059**	**8,055,932**	**496,579**	**0**	**22,279,509**
Balance as of January 1st, 2017	**5,072,939**	**8,654,059**	**8,055,932**	**496,579**	**0**	**22,279,509**
Inflows	0	581,093	2,399,565	444,745	0	**3,425,403**
Transfers from investment properties	0	0	0	0	0	**0**
Transfers to inventories	0	0	0	0	0	**0**
Outflows	0	0	-869,041	-29,860	0	**-898,901**
Balance as of December 31st, 2017	**5,072,939**	**9,235,152**	**9,586,456**	**911,464**	**0**	**24,806,011**
Accumulated amortisation						
Balance as of January 1st, 2016	**16,053**	**5,839,115**	**1,770,735**	**202,908**	**0**	**7,828,811**
Amortisation during the year	2,670	449,299	846,788	45,825	0	1,344,582
Amortisation outflows	0	0	-124,554	0	0	-124,554
Balance as of December 31st, 2016	**18,723**	**6,288,414**	**2,492,969**	**248,733**	**0**	**9,048,839**
Balance as of January 1st, 2017	**18,723**	**6,288,414**	**2,492,969**	**248,733**	**0**	**9,048,839**
Amortisation during the year	2,670	466,723	1,183,877	76,724	0	1,729,994
Amortisation outflows	0	0	-539,480	-22,918	0	-562,398
Balance as of December 31st, 2017	**21,393**	**6,755,137**	**3,137,366**	**302,539**	**0**	**10,216,435**

Net book value

Balance as of January 1st, 2016	**5,056,886**	**2,768,534**	**3,473,841**	**254,172**	**0**	**11,553,433**
Balance as of January 31st, 2016	**5,054,216**	**2,365,645**	**5,562,963**	**247,846**	**0**	**13,230,670**
Balance as of January 1st, 2017	**5,054,216**	**2,365,645**	**5,562,963**	**247,846**	**0**	**13,230,670**
Balance as of January 31st, 2017	**5,051,546**	**2,480,015**	**6,449,090**	**608,925**	**0**	**14,589,576**

On December 31st, 2017, the group has registered no loss from impairment of fixed assets (0 Ron on December 31st, 2016).

The net book value of the fixed assets purchased through financial lease is of RON 677,463 as of December 31st, 2017, and RON 1,232,054 as of December 31st, 2016, respectively.

7. Investment properties

cost	**Investment properties**	**Investment properties in progress**	**Total**
Balance as of January 1st, 2016	**178,804,938**	**4,038,218**	**182,843,156**
Inflows	21,172,961	38,227,751	**59,400,712**
Transfers from investments in progress	30,447,970	-30,447,970	**0**
Transfer to inventories	0	0	**0**
Transfer to tangible assets	0	-2,138,873	**-2,138,873**
Outflows	0	-1,192	**-1,192**
Balance as of December 31st, 2016	**230,425,869**	**9,677,934**	**240,103,803**
Balance as of January 1st, 2017	**230,425,869**	**9,677,934**	**240,103,803**
Inflows	7,528,254	24,007,671	**31,535,925**
Transfers from investments in progress	24,543,740	-24,543,740	**0**
Transfer to inventories	0	0	**0**
Transfer to tangible assets	0	-469,125	**-469,125**
Outflows	0	0	**0**
Balance as of December 31st, 2017	**262,497,863**	**8,672,740**	**271,170,603**
Accumulated amortisation			
Balance as of January 1st, 2016	**48,377,405**	**0**	**48,377,405**
Amortisation during the year	6,374,597	0	6,374,597
Amortisation outflows	0	0	0
Balance as of December 31st, 2016	**54,752,002**	**0**	**54,752,002**
Balance as of January 1st, 2017	**54,752,002**	**0**	**54,752,002**
Amortisation during the year	8,557,338	0	8,557,338
Amortisation outflows	0	0	0
Balance as of December 31st, 2017	**63,309,340**	**0**	**63,309,340**
Net book value			
Balance as of January 1st, 2016	**130,427,533**	**4,038,218**	**134,465,751**
Balance as of January 31st, 2016	**175,673,867**	**9,677,934**	**185,351,801**
Balance as of January 1st, 2017	**175,673,867**	**9,677,934**	**185,351,801**
Balance as of January 31st, 2017	**199,188,523**	**8,672,740**	**207,861,263**

On December 31st, 2017, the group has registered no loss form the impairment of investment properties (Ron 0 as at December 31st, 2016).

8. Intangible assets

cost	**Other intangible assets**
Balance as of January 1st, 2016	**258,434**
Inflows	22,329
Outflows	0
Balance as of December 31st, 2016	**280,763**
Balance as of January 1st, 2017	**280,763**
Inflows	78,423
Outflows	-6,454
Balance as of December 31st, 2017	**352,732**
Accumulated amortisation	
Balance as of January 1st, 2016	**250,268**
Amortisation during the year	9,202
Amortisation outflows	0
Balance as of December 31st, 2016	**259,470**
Balance as of January 1st, 2017	**259,470**
Amortisation during the year	17,955
Amortisation outflows	-6,454
Balance as of December 31st, 2017	**270,971**
Net book value	
Balance as of January 1st, 2016	**8,166**
Balance as of January 31st, 2016	**21,293**
Balance as of January 1st, 2017	**21,293**
Balance as of January 31st, 2017	**81,761**

On December 31st, 2017, the group has registered no loss from impairment of intangible assets (Ron 0 as at December 31st, 2016).

9. Held-to-maturity investments

	December 31st, 2017	December 31st, 2016
Titles held in ABC Facility Management	0	190
Titles held in Invincible Real Estate SRL	190	190
Securities held in SCS CFR 1907 Cluj SA	4,360,891	4,360,891
Securities held in SC Somes Balastiere SA	3,129	3,129
Adjustments for loss of value in long-term investments	-3,129	-3,129
Total	**4,361,081**	**4,361,271**

The Group holds the following shares:

- 95% of the share capital of SC Invincible Real Estate;
- 4.6% of the share capital of SCS CFR 1907 Cluj SA; and
- 0.94% of the share capital of SC Someș Balastiere SA.

10. Inventories

Inventories

	December 31st, 2017	December 31st, 2016
Finished products and merchandise	187,314	283,530
Raw materials and consumables	128,557	61,641
Total	**315,871**	**345,171**

11. Trade receivables and related

	December 31st, 2017	December 31st, 2016
Clients	2,398,450	2,237,162
Debtor suppliers	564,720	406,048
Advance payments for tangible assets	45,960	22,369
Adjustments for impairment of receivables	-1,037,152	-962,217
Total	**1,971,978**	**1,703,362**
Long-term trade receivables	386,798	393,656
Short-term trade receivables	1,585,180	1,309,706

12. Cash and cash equivalents

	December 31st, 2017	December 31st, 2016
Current accounts at banks	7,470,822	4,133,061
Cash on hand	5,811	7,922
Total	**7,476,633**	**4,140,983**

On December 31st, 2017 there is no cash restricted at use.

13. Other receivables

	December 31st, 2017	December 31st, 2016
Various debtors	1,722,029	1,200,767
Receivables against the state budget	531,809	4,889,336
Adjustments for impairment of receivables - various debtors	-478,007	-478,007
Total	**1,775,831**	**5,612,096**

14. Share capital and reserves

c) The Company's shareholder structure

December 31st, 2017	No. of shares	Amount (RON)	%
Timofte Andrei Iancu	461,635	15,233,955	57.72
Timofte Mircea	285,072	9,407,376	35.65
Other shareholders	53,044	1,750,452	6.63
Total	**799,751**	**26,391,783**	**100**

December 31st, 2016	No. of shares	Amount (RON)	%
Timofte Andrei Iancu	461,635	15,233,955	57.72
Timofte Mircea	285,072	9,407,376	35.65
Other shareholders	53,044	1,750,452	6.63
Total	**799,751**	**26,391,783**	**100**

d) Reconciliation of share capital

	December 31st, 2017	December 31st, 2016
Nominal share capital	26,391,783	26,391,783
Effect of hyperinflation-IAS 29	27,019,805	27,019,805
Restated share capital	**53,411,588**	**53,411,588**

c) Dividends

In 2017 the group paid the following dividends:

- according to the Decision of the Ordinary General Meeting of Shareholder as of August 10th, 2017, dividends amounting to RON 959,701, the gross dividend/share amounting to RON 1.2. The payment of dividends has been made as of September 19th, 2017;
- according to the Decision of the Ordinary General Meeting of Shareholder as of November 6th, 2017, dividends amounting to RON 1,319,589.15, the gross dividend/share amounting to RON 1.65. The payment of dividends has been made as of December 14th, 2017;

In 2016 the group did not pay dividends

d) Reserves

	December 31st, 2017	December 31st, 2016
Legal reserves	2,085,986	2,071,222
Other reserves-Tax relief	4,763,820	4,501,208
Other reserves	33,904	33,906
Total reserves	**6,883,710**	**6,606,336**

According to legal requirements, the Group establishes legal reserves of 5% from the profit registered up to 20% of the share capital. Legal reserves cannot be distributed to the shareholders.

Other reserves include reserves established by the distribution of profit to the previous periods as well as reserves established for tax relief according to the legal provisions in force.

15. Loans

	December 31st, 2017	December 31st, 2016
Long-term loans		
Long-term bank loans	123,829,443	89,954,938
Finance lease liabilities	211,511	331,618
Other long term liabilities	1,669,622	2,228,451
Total	**125,710,576**	**92,515,007**
Short-term loans		
Current portion of long-term bank loans	2,851,361	1,372,123
Short-term bank loans	0	4,500,000
Current portion of finance lease liabilities	253,165	522,526
Current portion of shareholder loan	0	4,071
Current portion of other long-term loans	1,843,546	2,135,562
Total	**4,948,072**	**8,534,282**

Other long-term liabilities include performance bonds held to subcontractors for services agreements concluded with them. A part of these bonds are returned at the end of the services agreements, that is, at the completion of work, another part is returned at the end of the warranty period set forth by the agreements.
Performance bonds held to subcontractors' amount to Ron 3,486,197 as of December 31st, 2017, and RON 3,347,611 as of December 31st, 2016, respectively.

On the reporting dates, the Group has in balance the following credits, according to the table below:

No.	Bank	Date when the loan was granted	Loan value	Currency	Interest rate	Date of final maturity	Principal in balance as of December 31st, 2017-equivalent in Ron	Principal in balance as of December 31st, 2016-equivalent in Ron
1	CEC Bank SA	August 22nd, 2016	8,142,000	EUR	Euribor 6M+bank's margin	August 21st, 2031	36,191,630.93	21,404,414.58
2	CEC Bank SA	August 21st, 2015	6,514,284	EUR	Euribor 6M+bank's margin	August 20th, 2030	29,981,835.10	28,958,474.69
3	CEC Bank SA	August 21st, 2015	3,900,000	EUR	Euribor 6M+bank's margin	August 20th, 2030	18,055,413.94	17,641,273.45
4	CEC Bank SA	August 21st, 2015	1,078,129	EUR	Euribor 6M+bank's margin	August 20th, 2030	4,949,198.43	4,029,306.59
5	CEC Bank SA	December 15th, 2016	5,964,626	EUR	Euribor 6M+bank's margin	December 18th, 2031	23,501,058.00	17,303,776.00
6	CEC Bank SA	August 22nd, 2016	493,160	EUR	Euribor 6M+bank's margin	August 21st, 2031	1,931,292.20	1,989,814.97
7	CEC Bank SA	December 20th, 2017	869,953	EUR	Euribor 6M+bank's margin	December 19th, 2025	0.00	0.00
8	CEC Bank SA	August 21st, 2015	4,500,000	RON	ROBOR 6 M+bank's margin	August 20th, 2018	4,500,000.00	4,500,000.00
9	CEC Bank SA	August 31st, 2017	9,000,000	RON	ROBOR 6 M+bank's margin	August 30th, 2022	7,345,759.28	0.00
	Total						**126,456,187.88**	**95,827,060.28**

16. Deferred tax liabilities

Deferred tax liabilities as at December 31st, 2017 are presented in the following table:

December 31st, 2017	**Assets**	**Liabilities**	**Net**
Tangible assets	70,727,275	0	70,727,275
Held-to-maturity investments	-3,129	0	-3,129
Inventories	95,619	0	95,619
Trade receivables	-628,173	0	-628,173
Other receivables	-478,006	0	-478,006
Total	**69,713,586**	**0**	**69,713,586**
Net temporary differences- rate 16%			69,713,586
Deferred profit tax liabilities			**11,154,174**

December 31st, 2016	**Assets**	**Liabilities**	**Net**
Tangible assets	71,229,322	0	71,229,322
Held-to-maturity investments	-3,129	0	-3,129
Inventories	119,018	0	119,018
Trade receivables	-1,091,582	0	-1,091,582
Deferred income	0	-8,633	-8,633
Total	**70,253,629**	**-8,633**	**70,244,996**
Net temporary differences- rate 16%			70,244,996
Deferred profit tax liabilities			**11,239,199**

17. Provisions

	2017	**2016**
Balance at the beginning of the period	83,126	126,831
Provisions established during the period	0	0
Provisions used during the period	0	-43,705
Balance at the end of period	**83,126**	**83,126**
Long-term provisions	83,126	83,126
Short-term provisions	0	0

Provisions are established for performance bonds granted to beneficiaries of the construction contracts according to the contractual clauses.

18. Trade payables

	December 31st, 2017	December 31st, 2016
Trade payables	5,010,937	7,370,301
Advance payments received	980,071	1,247,007
	5,991,008	**8,617,308**

Advance payments received represent mainly rentals paid in advance by clients upon signing the lease contracts for premises.

19. Other payables

	December 31st, 2017	December 31st, 2016
Employee payables	160,938	148,959
Current tax to be paid	0	0
Payables to state budged	144,022	79,706
Dividends to be paid	156,627	496,300
Various creditors and other payables	1,382,193	757,799
Total	**1,843,780**	**1,482,764**

20. Earnings per share

Transilvania Constructii presented the earnings per share within the individual financial statements. Therefore the earnings per share are no longer presented within the consolidated financial statements, prepared for the group.

21. Income from turnover

	2017	**2016**
Income from sale of finished products	73,294	80,434
Income from royalties, tenancies and leases	24,972,882	20,014,080
Income from provided services	0	0
Income from various activities	119,492	15,286
Income from sale of merchandise	258,888	252,253
Income from sale of residual products	11,033	1,760
Total	**25,435,589**	**20,363,813**

22. Other income

	2017	**2016**
Net gain form sale of tangible assets	0	32,792
Income from compensations, fines and penalties	176,022	101,578
Other operating income	439,479	289,459
Total	**615,501**	**423,829**

23. Expenses with raw materials and consumables

	2017	**2016**
Expenses with raw materials and consumables	323,455	392,343
Other material expenses	206,364	72,727

Other external expenses-electricity and water	2,918,359	2,393,013
Total	**3,448,178**	**2,858,083**

24. Personnel related expenses

	2017	2016
Wage expenses	1,553,884	1,207,116
Expenses with food vouchers granted	69,796	70,749
Expenses with insurance and social protection	375,089	300,491
Total	**1,998,769**	**1,578,356**

In 2017 the number of employees in the Group was 38, of which 2 persons in the executive management and 21 persons in the administrative personnel.
In 2016 the number of employees in the Group was 35, of which 2 persons in the executive management and 18 persons in the administrative personnel.

25. Amortisation and depreciation expenses

	2017	2016
Expenses with amortisation of fixed assets	10,305,287	7,721,595
Expenses with depreciation of current assets-receivables	112,560	1,211,321
Income from reversal of impairment of current assets	-41,268	-9,222
Total	**10,376,579**	**8,923,694**

26. Other operating expenses

	2017	2016
Losses from disposal of non-current assets	178,536	0
Expenses related to fines, damages and penalties	127,270	390,508
Sponsorship expenses	32,000	12,000
Expenses related to other taxes and duties	1,094,727	1,022,109
Other operating expenses	-707,406	-1,696,667
Total	**725,127**	**-272,050**

27. Financial income and expenses

Income from financial activity	**2017**	**2016**
Interest income	4,830	49,731
Earnings from short-term financial investments assigned	0	2,828,436
Other financial income	0	0
Total	**4,830**	**2,878,167**

Expenses related to financial activity	**2017**	**2016**
Interest expenses	3,262,481	2,755,307
Net exchange loss	2,998,358	636,506
Total	**6,260,839**	**3,391,813**

28. Income tax expenses

	2017	2016
Current income tax		
Current income tax expenses	203,927	814,491
Expenses with tax for specific activities	11,826	0
Local tax expenses	**215,753**	**814,491**

	2017	2016
Deferred income tax		
Deferred income tax expenses	0	0
Income from deferred income tax	-85,025	-476,059
Total	**130,728**	**338,432**

Reconciliation of the effective tax rate:

	2017	2016
Pre-tax income	**408,883**	**5,485,578**
Tax according to the statutory tax rate of 16% (2015-16%)	65,421	877,692
Effect on income tax of		
tax for specific activities	-6,350	0
Legal reserve	-2,362	-43,869
Non-deductible expenses	178,290	258,296
Non-taxable income	-3,245	-3,525
Items similar to income	83,291	83,884
Exemptions for sponsorship	-32,000	-12,000
Tax relieves- reinvested profit	-67,290	-339,219
Registration of temporary differences not recognised in adjustments IFRS	-85,025	-482,828
Income tax	**130,730**	**338,432**

29. Related parties

The Company has as related parties the following companies

1. SC Brieta Industrial Com SRL, with office in Cluj-Napoca, 10 Orastiei Street, Cluj county, tax ID RO 6839037, J12/4795/1994. The Group has a share capital in the amount of Ron 17,480 consisting of 1748 shares held as follows:
874 shares: Mrs. Timofte Gabriela;
874 shares: Mr. Timofte Mircea
The Group carried out the following transactions with SC Brieta Industrial COM SRL.

In 2017:
- the company did not have turnover or balances in the accounts 401 and 4111.

In 2016:
- the company did not have turnover or balances in the accounts 401 and 4111.

Further on, the company contracted a loan from SC Brieta Industrial Com, in the amount of Ron 980,000, with maturity by December 31st, 2022 and warranty period until December 31st, 2015. The interest paid by the company is the reference interest rate communicated by BNR (Romanian National Bank). In August 2017, Transilvania Constructii fully refunded the balance loan, namely RON 790,000.

Initial balance of the loan on January 1st, 2017: RON 790,000;
Debit cash flow: RON 790,000
Final balance of the loan on December 31st, 2017: Ron 0

- In 2017, the company registered interest expenses related to credit contracted in the amount of Ron 8,825.28.
- In 2016, the company registered interest expenses related to credit contracted in the amount of Ron 17,197.02.

2. Other related parties:

Invincible Real Estate, tax ID: 35226842, with office in Cluj Napoca, 10 Orastiei Street;

In 2017, Invincible Real Estate has not carried out any activity (Turnover 0, Income 0, Assets 0, Liabilities 0). Furthermore, the company did not carry out any activity in 2016.

Related parties are considered members of the Board of Directors and the Executive Management of the parent company, namely Transilvania Constructii SA.

The Board of Directors consists of:

2017	Position
Timofte Mircea	Chairman of the Board of Directors
Timofte Andrei Iancu	Member of the Board of Directors
Legean Viorel	Member of the Board of Directors

2016	Position
Timofte Mircea	Chairman of the Board of Directors
Timofte Andrei Iancu	Member of the Board of Directors
Fetita Alin Sorin	Member of the Board of Directors -period 01.01.2016-12.09.2016;
Legean Viorel	Member of the Board of Directors -period 13.09.2016-31.12.2016

The Company’s Executive Management is represented by:

2017	Position
Timofte Andrei Iancu	General Manager
Barz Lucian	Chief Financial Officer

2016	Position
Timofte Andrei Iancu	General Manager
Barz Lucian	Chief Financial Officer

Benefits of key management personnel include:

	2017	2016
Remuneration of the members of Board of Directors	22,220	46,016
Wages paid to the management personnel	127,218	102,919

Transactions with key management personnel

Shareholding

	December 31st, 2017			December 31st, 2016		
	No. of shares	% of share capital	% of voting rights	No. of shares	% of share capital	% of voting rights
Timofte Mircea	285,072	35.65	35.65	285,072	35.65	35.65
Timofte Andrei Iancu	461,635	57.72	57.72	461,635	57.72	57.72

In 2017 the group carried out the following transactions with the management personnel:
Initial balance account 4551-analytic Timofte Andrei Iancu: RON 4,070.60;
Credit balance: 0;
Debit balance: RON 4,070.60;
Final balance account 4551:-analytic Timofte Andrei Iancu: Ron 0

In 2016 the group carried out the following transactions with the management personnel:
Initial balance account 4551-analytic Timofte Andrei Iancu: RON 2,827,456.60;
Credit balance: 800,000;
Debit balance: RON 3,623,386;
Final balance account 4551:-analytic Timofte Andrei Iancu: RON 4,070.60

30. Commitments

The group has capital commitments representing investment plans approved by the Board of Directors on December 31st, 2017: EUR 4,037,720 (December 31st, 2016 amounting to EUR 5,433,836)

31. Contingent assets and liabilities

- Contingent liabilities

On December 31st, 2017 the company had issued the following letters of bank guarantee:
- letters of bank guarantee for performance bonds granted to beneficiaries:

No.	Name of Beneficiary	Amount-Ron	Validity
1	Rasnov Town	83,126.24	August 5th, 2020

- letters of bank guarantee granted to guarantee the advance payments collected:

No.	Name of Beneficiary	Amount-Ron	Validity
1	Schenker Logistics	138,293.37	January 30th, 2018

- letters of bank guarantee granted for good payment:

No.	Name of Beneficiary	Amount-Ron	Validity
1	TETAROM SA	753,548.98	August 5th, 2020
2	CBC Development Design	3,670,292.82	April 26th, 2018
3	TETAROM SA	479,127.84	November 30th, 2019
4	TETAROM SA	96,315.59	November 30th, 2019

On December 31st, 2016 the group had issued the following letters of bank guarantee:
- letters of bank guarantee for performance bonds granted to beneficiaries:

No.	Name of Beneficiary	Amount-Ron	Validity
1	Rasnov Town	83,126.24	April 24th, 2017
2	TETAROM SA	2,265,000.00	June 30th, 2018

- letters of bank guarantee granted to guarantee the advance payments collected:

No.	Name of Beneficiary	Amount-Ron	Validity
1	Schenker Logistics	627,136.19	April 25th, 2017

- letters of bank guarantee granted for good payment:

No.	Name of Beneficiary	Amount-Ron	Validity
1	TETAROM SA	385,479.43	August 5th, 2020
2	CBC Development Design	3,670,292.82	April 26th, 2017
3	TETAROM SA	479,127.84	November 30th, 2019
4	TETAROM SA	96,315.59	November 30th, 2019

Contingent assets:
The Group holds the following contingent assets:
- receivable guaranteed with mortgage over real estate (Ist, IInd, IIIrd degree), on the company CBC Development Design SRL, which is bankrupt. On December 31st, 2017, the nominal value of the receivable is of RON 91,548,795.86;
The Group is not in a position to estimate the amounts to be cashed because of the debtor's bankruptcy,

- receivable guaranteed with mortgage over real estate (Ist, IInd, IIIrd degree), on the company SVF Management Prod Serv, which is bankrupt. On December 31st, 2017, the nominal value of the receivable is of RON 91,533,547.01;
The Group is not in a position to estimate the amounts to be cashed because of the debtor's bankruptcy,

- guaranteed debts on the following debtors:

- Nica Valentin, Nica Anca, Petre Stefan, Petre Mariana. The nominal value of the receivable is of RON 106,384,585.26.
- Badiu Nicolae and Badiu Gabriela Maria. The nominal value of the receivable is of RON 1,298,757.96.

The quality of debtors of these persons derives from their previous status, being former associates of SC CBC Development Design SRL, which have personally guaranteed for the company's debts.

On December 31st, 2017, various enforcement actions against debtors were under way. As the value of the debtors' personal patrimony is not known, the group cannot estimate the amounts to be cashed by the foreclosure of the debtors.

32. Events after the balance sheet date

On January 23rd, 2018, the Extraordinary General Meeting of Shareholders approved the acquisition of 78,039 own shares, under the following conditions:
- the maximum value at which the shares will be acquired will be RON 40 per share, and the minimum value will be RON 25 per share;
- the maximum duration until which the company will be able to acquire the shares will be 12 months, calculated from the date of publication in the Official Gazette of Romania of the EGMS Decision approving the acquisition of its own shares;
- purpose of the acquisition: further redistribution to employees and directors;
- sources of financing the acquisition: the results carried forward;

The estimated effect on the financial statement is as follows:
- decrease of the shareholders' liquidities by the amount of RON 2,653,326;
- decrease of the shareholders' equity by the amount of RON 2,653,326;

33. Financial risk management

General presentation

The Group is exposed to the following risks arising from the use of financial instruments:

- credit risk;
- liquidity risk;
- market risk.

These notes present information concerning the exposure of the group to each of the risks mentioned above, objectives, policies and processes of the group for the measurement and management of risk and procedures used for capital management. Furthermore, other quantitative information is also included in these financial statements.

The Group's risk management policies are defined so as to ensure the identification and analysis of risks the Group faces, establishment of adequate limits and controls as well as monitoring of risks and compliance with the established limits. Risk management policies and systems are revised periodically to reflect the changes incurred in market conditions and in the Group's activities.

m) Credit risk

Credit risk is a risk that the Group will bear a financial loss as a result of the non-fulfillment of contractual obligations by a client or counterpart to a financial instrument and this risk mainly results from the Group's trade receivables.

(i) Exposure to credit risk

	December 31st, 2017	December 31st, 2016
Trade and other receivables	3,747,809	7,315,458
Cash and cash equivalents	7,476,633	4,140,983
Total	**11,224,442**	**11,456,441**

The Group's exposure to credit risk is mainly influenced by the individual characteristics of each client.

The management established a credit policy under which each new client is separately analysed in terms of creditworthiness before the Group's standard payment and delivery conditions are offered. For each client in part there are established purchase limits. Clients that do not meet the conditions established by the Group can make transactions only with advance payment.

Goods are sold with retention of title clause, so that in case of non-payment the Group benefits from a guarantee for the amounts claimed. The Group does not require collateral securities for trade and other receivables. In some case the Group requires cheque notes, payment orders or letters of bank guarantee. In case of leases for premises the rental is charged in advance, as well as a warranty, agreed to the amount of one, two or three rents.

(iii) Depreciation

December 31st, 2017 in RON	Gross value	Depreciation
Current and outstanding between 0 and 30 days	2,218,570	0
Outstanding between 31 and 60 days	149,128	1,073
Outstanding between 61 and 90 days	23,896	20,588
Outstanding between 91 and 180 days	349,911	58,612
Outstanding between 181 and 360 days	303,752	38,082
Over 360 days	2,217,711	1,477,077
Total	**5,262,968**	**1,515,159**

The Group establishes an adjustment for depreciation presenting its estimations concerning losses from trade receivables, other receivables and investments. This consists of specific losses related to significant individual exposures.

On December 31st, 2017, the group had registered the following receivables considered as impaired (individual analysis):

No.	Client	Amount	Reason of depreciation
1	Aido Construct	557,847.28	pending litigation
2	Al Dum Mob	1,647,05	pending litigation – in foreclosure
3	Belle Way	1,269.48	in foreclosure
4	Cafe Lux	82,892.91	in bankruptcy
5	CBC Development Design	478,006.84	in bankruptcy
6	Clivia Maya	63,031.52	in foreclosure
7	DMT Euro Service	30,508.16	pending litigation -debit not recognised
8	Doranic Prodcom	2,261.86	in foreclosure
9	Flesariu Mihai	4,054,85	pending litigation -debit not recognised
10	Grup 4 Instalatii	24,469.84	in insolvency
11	Icon Electric Trade	3,543,59	pending litigation – in foreclosure
12	Interpaul Company	6,482,81	in bankruptcy
13	MBS Group	17,601.29	in bankruptcy
14	Micrographite Ceramics	48,754.94	in foreclosure
15	Mono Constructii	90,819.34	pending litigation
16	Opt Construct	3,471,68	debit not recognised
17	Pitas Company	14,880,00	pending litigation -debit not recognised
18	Polysteel Prod	17,179.80	missing debtor
19	RCS&RDS	10,797,85	debit not recognised
20	Remixt Flo	33,341,38	in insolvency
21	Rom Zoo Market	15,588,56	in foreclosure
22	Slavinschi Transport	6,707.55	in bankruptcy
	Total	**1,515,158.58**	

The criteria used by the group to determine the existence of proofs attesting depreciation are the following:

- Longer period of time elapsed between the maturity date and the reporting date-if maturity was exceeded by more than 120 days it can be considered as a contested receivable (except for sales with payment in installments, receivables against state institutions and secured receivables);
- If the debtor challenges the receivable;
- If the debtor does not make the payment for any reason and the group addresses to the court to recover the receivable;
- If the debtor registers major financial difficulties (insolvency, bankruptcy).

n) Liquidity risk

Liquidity risk is the risk that the Group would face difficulties in fulfilling obligations related to financial liabilities that are settled in cash or by the transfer of another financial asset. The Group's approach to liquidity risk is to ensure, as far as possible, that it holds sufficient liquidities at any time to settle debts when these come to maturity, both under normal conditions and under stress, without incurring inacceptable loss or endanger the Company's reputation.

The Group checks the clients' financial situation both at the conclusion of contracts and during the performance of contracts to protect itself in case the clients' financial situation deteriorates and the non-payment risk occurs. Further on, clients leasing premises in Transilvania Logistic Park are required both to pay guarantees and to pay the rental in advance according to the trade customs practiced in lease market.

The table below presents the residual contractual maturities of the financial liabilities at the end of the final reporting period, including estimated interest payments:

December 31st, 2017	**Book value**	**Contractual cash flows**	**<1 year**	**1-5 years**	**> 5 years**
Loans	130,658,648	160,463,173	6,145,330	60,116,753	94,201,090
Trade and other payables	7,834,788	7,834,788	7,834,788	0	0
Total	**138,493,436**	**168,297,961**	**13,980,118**	**60,116,753**	**94,201,090**

o) Market risk

Market risk is a risk that market price variations such as exchange rate, interest rate and price of equity instruments would affect the Group's income or the value of the financial instruments held. The objective of market risk management is to manage and control the exposures to market risk within acceptable parameters and at the same time to optimise the cost-effectiveness of the investment.

Interest rate risk

The Group is concerned with the monitoring of interest variations on international markets (especially EURIBOR) in order to be able to react promptly in case the unsatisfactory development of indicators in terms of which the interests paid by the Group are calculated would have unsatisfactory effects on the Group.

The Group is permanently concerned with optimising the payable service, permanently negotiating with banks to decrease interest and to correlate bank rates to the income level.

(i) Risk exposure profile

On the reporting date, the profile of the risk exposure to the interest rate related to interest-bearing financial instruments held by the Group was the following:

Instruments with variable rate	December 31st, 2017	December 31st, 2016
Financial payables	126,920,864	97,471,204
Total	**126,920,864**	**97,471,204**

(ii) Sensitivity analysis of the fair value for instruments with fix interest rate

The Group does not account for financial assets and liabilities with fix interest rate at fair value through profit or loss or available for sale. Therefore, a change in the interest rates on reporting date would not effect the statement of comprehensive income.

(iii) Sensitivity analysis of cash flows for instruments with variable interest rate

An increase of the interest rate by 1% on the reporting date would have determined a decrease of the profit or loss by Ron 1,269,209 as of December 31st, 2017, and by Ron 974,712 as of December 31st, 2016, respectively. This analysis assumes that all other variables, especially exchange rates, remain constant.

A depreciation of the interest rates by 1% as at December 31, 2017, and as at December 31st, 2016, respectively, would have led to the same effect, but in a contrary way, on the amounts presented above considering that all the other variables remain constant.

Fair values

Fair value is the value at which a financial instrument can be traded between the interested and informed parties within a transaction carried out under objective conditions.

Financial instruments that are not accounted for at fair value in the statement of financial position include trade and other receivables, cash and cash equivalents, loans, trade and other payables. The book values of the financial instruments mentioned above approximate their fair values.

Currency risk

The Group is exposed to currency risk due to sales, purchases and other loans which are expressed in a currency other than the functional currency, primarily Euro.

The Group has credit contracts and other financing in Euro.

For protection against the increase of exchange rate, the leases for premises are concluded in Euro, with settling at the sell exchange rates communicated by CEC Bank SA. In this way, the Group has got ensured the income in the currency in which it repays credits.

The Group's exposure to currency risk is presented in the table below

December 31st, 2017	RON	equivalent in RON EUR
Financial assets		
Trade and other receivables	3,337,051	410,758
Cash and cash equivalents	7,038,058	438,575
Total	**10,375,109**	**849,333**
Financial payables		
Loans	15,583,543	115,075,105
Trade and other payables	7,834,788	0
Total	**23,418,331**	**115,075,105**

December 31st, 2016	RON	equivalent in RON EUR
Financial assets		
Trade and other receivables	6,867,174	448,284
Cash and cash equivalents	3,609,843	531,140
Total	**10,477,017**	**979,424**
Financial payables		
Loans	8,668,604	92,380,685
Trade and other payables	10,020,366	0

Total	**18,688,970**	**92,380,685**

(iv) Sensitivity analysis

A growth by 10% of RON currency as of December 31st, 2017 compared to EUR would have had a net impact in profit of Ron 11,422,577 (loss).

A growth by 10% of RON currency as of December 31st, 2016 compared to EUR would have had a net impact in profit of Ron 9,140,126 (loss).
A fall by 10% of RON currency as at December 31st, 2017, December 31st, 2016 compared to EUR would have led to the same effect, but in a contrary way, on the amounts presented below, considering that all the other variables remain constant.

p) Tax risk

Starting from January 1st, 2007, as a result of Romania's accession to the European Union, the Group had to be subjected to the tax regulations of the European Union and to implement the changes in the European legislation. The way in which the Group implemented these changes remains open to tax audit for five years.
The interpretation of text and practical implementation of procedures of new EU tax regulations entered into force may vary and there is a risk that certain transactions, for instance, will be perceived differently by the tax authorities compared to the Group's approach.
Moreover, the Government of Romania has a great number of authorised agencies to carry out the audit of companies operating in Romania. These audits are similar to tax audits from other countries and can cover not only tax issues but also other legal and regulation issues that are of interest for these agencies. It is likely that the Group may be subject to tax audits as new tax regulations are issued.

q) Business environment

The process of risk revaluation developed in the period 2007-2010 on the international financial markets significantly affected the performance of these markets including the financial market in Romania and led to the emergence of an increasing uncertainty concerning the future economic development. These uncertainties have disappeared, for the moment, although, the performance of financial markets, as well as of national economies, has significantly improved in the last years.
The global credit and liquidity crisis which started in the middle of 2007 determined, among others, a low level and difficult access to capital market funds, a low level of liquidity of the entire bank sector in Romania and increased levels of rates to interbank loans. Significant losses incurred in the international financial market could affect the Group's ability to obtain new loans and to refinance loans which it already has under terms and conditions related to the previous transactions.
The establishment of conformity to loan contracts and other contract obligations as well as the assessment of significant uncertainties constitute new challenges for the Group.
The Group's debtors can be as well affected by low liquidity which could affect their ability to reimburse the outstanding debts. The deterioration of financial conditions under which the debtors carry out their activity could as well have an impact on the management of cash flow forecasts and on the assessment of financial and non-financial asset impairment. As far as the information is available, the management included in its impairment policy revised estimations of future cash flows.
Fears that the deterioration of financial conditions could contribute in future to the deterioration of trust determined certain joint efforts from governments and central banks to adopt certain measures which would counteract the vicious circle of increase in risk aversion and to help minimise the effects of the financial crisis and, ultimately, to reinstore the functioning of market under normal conditions.
The management cannot forecast all events that could have an impact on the financial sector in Romania and, therefore, what effects would have on these financial statements, if the case may be.
The management cannot estimate reliably the effects on the Group's financial statements of any future decrease in liquidities of the financial markets, impairment of financial assets influenced by weak liquidity of credit market and

increase of currency volatility and stock markets. The management considers that it takes all necessary measures to support the sustainability and growth of the Group's business under the current conditions through:

- constant monitoring of liquidity;
- carrying out short-term forecasts on net liquidity;
- monitoring inflow and outflow of cash flow (daily), assessment of effects on debtors of the limited access to financing and growth of businesses in Romania.

Risk factors specific to lease of premises and specific to property development activities and that the Group could face would be the following:

(ii) Competition.

In the last years the Group oriented towards the development of new activities to have more income sources and to protect itself against market risk. Thus, the group developed a real estate project and developed the activity at Transilvania Logistic Park.

The Group's future strategy is to focus on these activities, which have proven to be efficient even in the time of crisis.

Concerning the rental of premises, currently the group has a solid position in the market as it was the first company to offer the local market of the business a proper logistic park. The group is always concerned to strengthen the position it holds in the local market of logistic premises. In this sense, the logistic park is constantly modernised and extended, the Group's strategy is to strengthen the relations with traditional customers, multinational companies with whom it has long-term business relations with. Over time, the quality of services provided to customers has steadily increased, this having a positive impact in terms of client portfolio consisting of partners with solid financial position and good reputation.

The Group's good reputation had a positive impact and regarding residential development activity, ensuring a steady and sustained pace of sales.

Starting form 2016, the Group will implement an enlargement program through the development of new logistic parks both in Cluj county and in other places in the country. The first new logistic park (TRC PARK Cluj) is going to be developed in TETAROM III Industrial Park. The first stage of this project is going to be completed at the end of 2017. In 2018, the group does not intend to initiate the second stage.

Furthermore, the group will enter the local market of office buildings through the purchase and completion of two office buildings TETAROM I Industrial park-Taietura Turcului. Within this project, as well, the first stage (an office building as basement+ground floor+3 floors) has been commissioned at the beginning of 2017.

r) Capital adequacy

The Group's policy is to keep a solid basis of capital necessary to keep the trust of investors, creditors and market and to support the future development of the entity.

The shareholder's equity of the Group includes the parent company's (Transilvania Constructii) share capital, various types of reserves, the retained earnings and non-controlling interests. The Group is not subject to externally imposed capital requirements.

The group's Board of Directors considers that the group's financial stability is not affected as long as the indebtedness calculated by reporting the borrowed capital (loans with maturity over 1 year) to invested capital (shareholders' equity +borrowed capital) is under 50%.

The Group regards the managed capital as asset items that make up the shareholders' equity, respectively:

- capital held by the parent company, namely Transilvania Constructii.;
-share premiums;
-own shares (which decreases shareholders' equity)
-reserves;
-retained earnings;
-non-controlling interests

The components of shareholders' equity items (capital managed by the group) at the end and at the beginning of the financial year 2017 are presented below:

Capital item	**Balance as of January 1st, 2017**	**Increases**	**Reductions**	**Balance as of December 31st, 2017**
Share capital	26,391,783	0	0	26,391,783
Capital adjustments	27,019,805	0	0	27,019,805
Reserves	6,606,336	277,376	0	6,883,712
Retained earnings	32,416,974	0	3,879,914	28,537,060
Non-controlling interests	-4,382		11,627	-16,009
Shareholders' equity	-104,544	0	0	-104,544
Total	**92,325,972**	**277,376**	**3,891,541**	**88,711,807**

In 2017 there were no changes in the structure of the share capital:

SC TRANSILVANIA CONSTRUCTII SA
Cluj-Napoca, Cluj county
VAT NUMBER: RO 199044,
Trade Register no.: J12/8/1991.

REPORT OF THE

INDEPENDENT FINANCIAL

AUDITOR

DECEMBER 31st, 2017

Financial auditor: Fătăcean Gheorghe
Member card in the Romanian Chamber of Financial Auditors: no. 3644/2010
Address: Aurel Ciupe street nr. 7C Cluj-Napoca
Phone: 0756/012732

REPORT OF THE INDEPENDENT FINANCIAL AUDITOR

on the consolidated financial statements prepared by

S.C. TRANSILVANIA CONSTRUCTII SA on December 31st, 2017

I have audited the enclosed annual consolidated individual financial statements of the company group comprising of:

Transilvania Constructions SA, acting as parent company of the group, with the following identification data:

- the registered office is located in Cluj-Napoca, 47 Taietura Turcului Street, 3rd Floor, Cluj county, tax ID RO 199044, registration number with the Trade Register J12/8/1991.

- **Novis Plaza SRL,** *a company established in 2015, with office in the town of Cluj Napoca, 47, street Taietura Turcului, floor 3, CLUJ county, VAT number RO 35226850, registration number with the Trade Register J12/3454/2015. The share capital amounts a total of RON 1,448,200, comprising of 20 shares, with a nominal value of RON 10. 95% of the share capital is held by Transilvania Constructii and 5% by Mr. Timofte Andrei Iancu. Transilvania Constructii was a founding member of the company, thus contributing to its establishment.*

- **Melisa Prod SRL**, *a company established in 2005, with office in the town of Cluj Napoca, 10, street Orastiei, Cluj county, VAT number RO 17597400, registration number with the Trade Register J12/1857/2005. The share capital amounts a total of RON 103,635, comprising of 20 shares, with a nominal value of RON 5,181.75. 95% of the share capital is held by Transilvania Constructii and 5% by Mr. Timofte Andrei Iancu. Transilvania Constructii was a founding member of the company, thus contributing to its establishment.*

- **ABC Facility Management SRL**, *a company established in 2015, with office in the town of Cluj Napoca, 10, street Orastiei, Cluj county, VAT number RO 35226834, registration number with the Trade Register J12/3452/2015. The share capital amounts a total of RON 200, comprising of 20 shares, with a nominal value of RON 10. 95% of the share capital is held by Transilvania Constructii and 5% by Mr. Timofte Andrei Iancu. Transilvania Constructii was a founding member of the company, thus contributing to its establishment.*

The statement on the consolidated financial standing, the statement of the consolidated global earnings, the statement of the amendments in consolidated shareholder equity, the statement on consolidated treasury flows, the consolidated explanatory notes ended on December 31st, 2017.

The mentioned financial statements refer to:

1. SHAREHOLDERS' EQUITY	**RON 88,711,807**
2. TURNOVER	**RON 25,435,589**
3. GROSS TOTAL EARNINGS	**RON -1,276,548**
4. CORPORATE TAX	**RON 130,728**
5. NET PROFIT OF THE GROUP	**RON -1,407,276**

The company's management responsibility for financial statements

The company management is in charge of accurately preparing and submitting the individual financial statements according to the Order of the Minister of Public Finance no.

2844/December 12th, 2016

approving the Accounting regulations consistent with the International Financial Reporting Standards with the Order of the Minister of Public Finance no. 470/January 11th, 2018 on the main aspects related to preparing and submitting the annual financial statements and of the annual accounting reports, as well as with the accounting policies described in the notes to the individual financial statements, and for such internal control which the management deems necessary to allow preparing financial statements without significant misrepresentations caused by fraud or error. This liability shall include: the accurate and precise drafting, implementation and submission of individual financial statements, without significant misrepresentations caused by fraud or error, selecting and applying proper accounting policies, preparing reasonable accounting forecasts in the given circumstances.

Auditor responsibility

We are liable to express an opinion on the individual financial statements herein, based on the audit conducted. We have conducted the audit under the provisions of the International Audit Standards, adopted by the Romanian Chamber of Financial Auditors. These standards stipulate compliance with the ethical requirements, as well as in terms of planning and performing the audit to obtain a reasonable warranty on the lack of significant misrepresentations in the statements.

An audit involves carrying out the procedures to obtain audit evidence with respect to the amounts and disclosures from the financial statements. The auditor shall decide upon the selected procedures, including on assessing the significant misrepresentation risks of the financial statements, caused either by fraud or error. In performing such risk assessments, the auditor considers the relevant internal inspection required for the entity to prepare the financial statements in view of drafting audit procedures which are adequate for the circumstances, but not for expressing an opinion on the efficiency of the internal inspection of the entity. An audit also includes assessing the appropriateness of accounting policies and the reasonableness of accounting forecasts made by the management, as well as assessing the overall submission of the financial statements.

We consider the audit evidence obtained by us to be sufficient and adequate, as solid grounds in stating our opinion.

Opinion

In our opinion, the annual consolidated financial statements of the company group comprising of:
- Transilvania Constructions, acting as parent company;
-Novis Plaza, company managed by Transilvania Constructii (affiliate company);
-Melisa Prod, company managed by Transilvania Constructii (affiliate company);
-ABC Facility Mnagement, company managed by Transilvania Constructii (affiliate company);
for the financial year ended December 31st, 2017 are adequately prepared, in all significant matters, according to the Order of the Minister of Public Finance no. 2844/December 12th, 2016 approving the Accounting Regulations that are in line with the International Financial Reporting Standards
.

Other issues

This report is solely addressed to company shareholders, overall. Our audit has been performed to report the aspects which require reporting to the company in a financial audit report, but not for other purposes. As permitted by law, we do not accept, nor take responsibility to the company and its shareholders, overall, for our audit, for this report or for the opinion established.

The enclosed consolidated financial statements are intended to submit the financial position, the earnings on operations and the cash flows of the company, according to the requirements of the International Standard for Financial Reporting. For this purpose, the enclosed consolidated financial statements have not been prepared for the use of individual who are unaware of the accounting and legal regulation in Romania.

Report on the consolidated report of the directors

The directors are in charge of preparing and presenting the report (consolidated) of directors, as established and required by the Order of the Minister of Finance no. 2844/December 12th, 2017 for approval of the Accounting regulations consistent with the International Financial Reporting Standards, which should not contain significant misrepresentations and for the internal inspection deemed necessary by the management to enable preparation of the director's report, without significant misstatements caused by fraud or error.

The consolidated report of directors is not part of the consolidated financial statements.

Our opinion on the financial statements covers the consolidated report of directors.

With regards to our audit on the financial consolidated statements, we have read the consolidated report of directors enclosed to the consolidated financial statements and we hereby report:

a) no significant inconsistencies with the information submitted in the enclosed consolidated financial statements have been identified in the consolidated report of directors;

b) the afore-mentioned consolidated report of directors includes, in all significant matters, the information required by the Order of the Minister of Public Finance no. 2844/December 12th, 2016 approving the Accounting Regulations that are in line with the International Financial Reporting Standards, as well as with the regulations of the Financial Supervisory Authority.

c) based on our knowledge and understanding acquired during the audit of consolidated financial statements for the financial year concluded on December 31st, 2017 on
- Transilvania Constructions, acting as parent company;
-Novis Plaza, company managed by Transilvania Constructii (affiliate company);
-Melisa Prod, company managed by Transilvania Constructii (affiliate company);
-ABC Facility Mnagement, company managed by Transilvania Constructii (affiliate company);

and its environment, no significant errors have been found in the information contained in the consolidated report of directors.

Dated: April 10th, 2018
For and on behalf: Fătăcean Gheorghe
Financial auditor:

[Illegible stamp and signature]