ANNUAL REPORT

Name of the issuing entity: S.C. TURISM FELIX S.A.
Company's headquarters: Victoria Street, no. 22, Băile Felix, Bihor county, 417500
Telephone/fax number: 0259-318338 / 0259-318297
Unique registration code: RO 108526
Trade Register Office Number: J05/132/1991
Legal Entity Identifier: 254900YRWU6MYZS4BB14
The subscribed and paid capital: 49.614.945,60 RON
The regulated market on which the issued securities are traded: BURSA DE VALORI BUCURESTI S.A

The main characteristics of the securities issued by the company: ordinary shares dematerialized in a single class with a face value of 0,10lei/share, in a total of 496.149.456 shares, indivisible, with equal voting rights, freely traded at Bursa de Valori Bucureşti, having the symbol "TUFE".

Reporting currency: the Romanian leu (RON) - all amounts presented are in RON, unless otherwise stated

CHAP. 1. GENERAL PRESENTATON

1.1. THE FULFILLMENT OF THE LEGAL FUNCTIONING CONDITIONS

S.C. Turism Felix S.A. is registered at the Trade Register Office under the number J05/132/1991, having as unique registration code RO 108526.

It functions as a joint-stock company according to the Law no/ 31/1990 republished, including subsequent amendments and additions, having as basic activity balneary treatment, public food service and leisure activities, internal and international tourism, exploitation of thermo mineral water sources, and their distribution. The activity field stipulated at art. 5 from the Act of Incorporation of the company and according to NACE classification the main activity is Hotels and other similar accommodation facilities – NACE code 5510.

S.C. Turism Felix S.A. has been initially founded in 15.10.1990, on the structure of the former Hotels and Restaurants Complex (HRC), functioning as a joint-stock company according to the Law 31/1990 republished and the Government Decision 1041/1990, with unlimited functioning duration.

It is a publicly owned company, in conformity with the terminology provided in the Law 297/2004 regarding the capital market, being registered at the National Securities Commission in conformity with the registration certificate of securities no. 3191/04.12.2006.

From 1997 and during the year 2006, the company's shares have been registered and traded on the RASDAQ stock market, having the symbol "TUFE". The inventory of the shareholders and shares held by them is kept by the Central Depository according to the provisions of Law 297/2004 and of the contract no.7778/01.03.2007. On the 19.02.2007, the company has been admitted to trading on regulated market administered by S.C. Bursa de Valori Bucureşti S.A.

From the point of view of the financial situations' drafting the company applies the Order 2844/2016 issued by the Ministry of Public Finances for the approval of the accounting Regulations which are in conformity with the International Standards of Financial Reporting, applicable to merchant company whose securities are admitted to trading on regulated market.

The audit activity of the financial situations drafted for the year 2018 has been realized by S.C. Leocont Expert S.R.L. based on the contract no.8 from 28.08.2014. During the financial year 2018 there have been no events of merging and reorganization of the merchant company.

1.2.THE MANAGEMENT OF THE COMPANY

During 2018 the company has been administered by a Managing Board formed of three members appointed as based on an administration contract for the term 2016-2020, in conformity with the decision of the Ordinary General Assembly of Shareholders no. 2 from 30.12.2016, as it follows:

- dr. ec. Mihai Fercală – President

- dr. ec. Tudor Ciurezu – Member

- ec. Cotrău Gheorghe – Member

The Managing board has monitored the operational and financial performances of the executive management through performance indicators and criteria established in the Income and expenses budget and of other approved programs.

In 2018 a constant preoccupation of the managing Board was the optimization of the decisive process at the level of the executive management and the improvement of communication in order to apply measures and decisions of the Managing Board with increasing promptness and efficacy in order to maximize the results obtained in the developed activity and to minimize the negative effects of the market in which the company develops its activity.

The executive management of the company was assured by a managerial team, team that at the end of 2018 had the following membership:

- ec. Florian Serac – General Director,

- ec. Popa Marcel –Chief Accountant,

- ec. Hepeş Rodica Melania – Commercial Director,

- dr. Tărău Ion Mircea – Medical Director.

The Managing Board has followed the realization of the activity program proposed for 2018, the execution of the Income and Expenses monthly and quarterly budget and of the approved investments and reparations program.

In 2018, the Managing Board has met monthly in board meeting and has issued 36 measures and 5 decisions regarding the administration of the company. The measures and decisions taken have concerned all the activities developed in the company, respectively the accommodation activity, public food service and treatment, production and commercial, investing and reparation activity, human resources, economical-financial activity and internal audit and control. All the efforts of the Managing Board and of the executive management have been oriented towards the fulfillment of the company's mission to assure quality services, with the help of qualified personnel. In addition, the priority objective is to develop the technical-material basis, the rehabilitation and modernization of the existing one, through a coherent and consequent investment program, in the conditions of a real protection of the environment.

The forecast and organization effort of the Managing Board has concretized in future development programs of the company, marketing programs, computerization programs, programs of promoting and recruitment of the personnel and growth of the tourist product's quality, systems of procedures for the company's main activities and the reconsideration of its organizational structure.

We mention that the company does not have any knowledge that the presented persons have been involved in litigation or administrative procedures in the last 5 years or to have had restrictions to hold management positions inside the company. There are no agreements, accords or family links between the members of the managing board and the members of the executive management.

1.2. SHARE CAPITAL AND THE STRUCTURE OF THE SHARE OWNERSHIP; SHARES

1.3.1 Share capital and the structure of the share ownership

The subscribed and paid capital on the 31.12.2018 is of 49.614.945,60 lei representing 496.149.456 shares at a face value of 0,10lei/share.

The consolidated synthetic structure of the share ownership on the 31.12.2018, comparing to that of 31.12.2017 is thus presented:

Shareholders		Number of shares	Percents
TOTAL according to Central Depository on 31.12.2017, from which:		496.149.456	100,00%
1.	S.I.F TRANSILVANIA	313.579.000	63,20%
2.	S.I.F OLTENIA	143.752.429	28,97%

3.	Other legal persons	10.535.295	2,13%
4.	Natural person	28.282.732	5,70%
OTAL according to Central Depository on 31.12.2018, from which:		496.149.456	100,00%
1.	S.I.F TRANSILVANIA	313.579.000	63,20%
2.	S.I.F OLTENIA	143.752.429	28,97%
3.	Other legal persons	10.595.836	2,14%
4.	Natural person	28.222.191	5,69%

At the end of 2018, the administrators, the general director and the managing team held together a number of 2.793.042 shares (0,56 % from the share capital).

All the shares of the company are nominative, ordinary, dematerialized and indivisible.

The S.C. Turism Felix S.A. shares have been traded starting with 21 March 2007 on the Bucharest stock market Standard category. In the period 2004-2011, the company's policy was one of reinvestment of the obtained profit, the company needing capital resources to realize the investment objectives, dividends not being thus distributed.

According to Decision of the O.G.A.S no.1 from 19.04.2018, the company has given a gross dividend/share worth 0,0045 lei, representing the division in proportion of 61% of the net profit realized in 2017.

From establishment until the present, there has been no decision regarding the acquisition of own shares.

Other information regarding the capital assets are found in the Notes to the financial situations (Note4), attached to the present report.

The company did not issue bonds or other debentures in 2018, neither before this year, so that it doesn't have any type of obligations towards the holders of such securities.

1.3.2.The declaration regarding the corporate governance code

S.C. Turism Felix S.A. has the shares listed at BVB Bucharest. As a result, the Company applies all the legal provisions regarding corporate governance, Law 31/1990 updated, OMPF 2844/2016 for the approval of the accounting Regulations conform to the International Standards or Accounting reporting, the NSC Regulation no.1/2006 regarding reporting, BVB regulations etc. All these documents are public. The company went for the implementation of the corporate governance code, the last public informing regarding the stage of the application of the code being presented and updated on 31.12.2018 as annex to the present report.

The Managing Board will analyze and decide upon the conditions and influences in the company's strategy regarding the accession to corporate governance.

The management of S.C. Turism Felix S.A. considers that there are no situations in which the company has moved away from the corporate governance code that applies to it.

The company leads the accounting in conformity with the legislation in force and has an integrated information system that stocks all the transactions. There are especially appointed and qualified persons who have the responsibility to elaborate financial reports by respecting the legal accounting policy adopted by the company. The financial reports are checked and approved by the Chief Accountant, the General Director and where it is the case, by the Managing Board. The company has a contract with an authorized financial auditor, in conformity with the legal requirements. It checks the financial reports in all the situations stipulated by the legislation in force.

The General Assembly has the attributions stipulated by the Law 31/1990 with the related amendments and by the company's articles of incorporation in force when the general assembly is held.

In its activity and in its reports towards the surveillance institutions of the regulated market, S.C. Turism Felix S.A. does not move away from the corporate governance code.

Inside the company there is an implemented internal control system, working procedures being established for the main activities. The attributions that the internal control exercises in the company, without limiting nevertheless to them, are:

- the examination of legality, regularity and conformity of operations, identification of errors, waste, faulty and fraudulent administrations and on these bases, the proposal of measures and solution to recover damages and to sanction the guilty, as the case;

- the surveillance of the decision foundation systems' functioning , planning, programming, organization, coordination, following and control of decision fulfillment;

- the evaluation of the efficiency and effectiveness with which managing and execution systems existent at the company's level use financial, human and material resources to realize the objectives and obtain the established results;

- the identification of the management and control systems' weak points, as well as of the risks associated to such systems, of some programs/projects or some operations and proposal of measures to correct them and to decrease risks .

The internal control is assured at all levels, an office of internal financial control being organized inside the company.

The internal audit activity is externalized, in this sense being signed a contract with S.C.Associated Business Auditors S.R.L. Timişoara. The internal audit is directly subordinated to the general director.

1.3.3 The non-financial declaration

In conformity with the stipulations of the OPFM no. 1938 from 17 August 2006 regarding the modification and completion of some accounting regulations, the public interest entities which, on the balance's date, overpass the criteria of having an average number of 500 employees during the financial year include in the managers report a non-financial declaration which contains, as they are necessary in order to understand the development, performance and position of the entity and the impact of its activity, information concerning at least issues regarding environment, social and personnel issues, respectively human rights, preventing corruption and bribery (art I, point 2, letter 492^1, paragraph (1)) or drafts a separate report (art I, point 2, letter492^4, paragraph (1)).

SC Turism Felix SA has opted for the presentation of the non-financial declaration as a separate report of the manager.

CAP. 2. THE ANALYSIS OF THE MERCHANT COMPANY'S ACTIVITY

2.1. THE ANALYSIS OF THE MERCHANT COMPANY'S ACTIVITY

1.1 *a) The description of the merchant company's basic activity;*

S.C. TURISM FELIX S.A. has as object of activity the provision of hotel services, public food services and leisure activities, balneary treatment and recovery services, selling tourist packages through the Tour operator S.C. Transilvania Hotels & Travel S.A, retail sale of products in own units, services of re-distribution of thermal, electric energy , water and sewerage, exploitation of thermo-mineral water sources and their distribution based on the concession license etc.

b) The description of acquisitions and/or divestitures of assets;

In 2018 there has been realized an investment volume of 3.576.323 lei, concretized in the following works:

- lei

Location	Value
Internațional	592.529,00
Termal	193.176,05
Nufărul	269.208,85
Poienița	813.717,62
Mureş	310.566,79
Apollo lido	125.844,05

Felix lido	43.042,62
Administrative	2.813,00
Household group	116.350,07
Other investment works	336.509,00
various facilities	726.734,80
Different projects	45.830,82

1. INTERNAŢIONAL COMPLEX : (planned value 1.070.000,00 lei, from which until 31.12.2018 were executed works worth 592.529,00 lei).

- execution and fitting of fix grids at 80 room bathrooms
- acquisition of furniture for the I floor hallway and 20 beds 160x200 in hotel rooms
- modernization works (interior finishing) in 40 room bathrooms (including sanitary installations) and 99 bathroom entrance doors
- modernization works on electrical installations in accomodation spaces, I floor hallway
- modernization works on interior finishing in the I floor conference room (including electrical installations)
- modernization and rehabilitation works of hydro-isolation above the tratment facility and I floor conference room

2. TERMAL COMPLEX: (planned value 190.000,00 lei, from which until 31.12.2018 were executed works worth 193.176,05 lei).

- Modernization works of the power plant exterior poor
- Acquisition and fitting works of a thermal energy meter in the thermal plant
- modernization works interior finishing in sanitary groups at reception area (including sanitary and electrical installations)
- Modernization works interior finishing in the kitchen
- Modernization works of illumination electrical installations in the reception area according to the design project
- Modernization works of sanitary installations in 20 bathrooms.
- Modernization works of cold water supplying installations and of a warm water distributor in the thermal plant
- Modernization works of the illumination electrical installations in the restaurant's sanitary group.

3. NUFĂRUL COMPLEX : (planned value 272.000,00 lei, from which until 31.12.2018 were executed works worth 269.208,85 lei).

- modernization works 16 rooms, hallway and elevator hall building B ground floor and floor I according to the design project (including sanitary and electrical installation)
- modernization works at interior finishing in the reception area according to the design project (including illumination electrical installation)

4. POIENIŢA COMPLEX : (planned value 886.000,00 lei, from which until 31.12.2018 were executed works worth 813.717,62 lei).

- The acquisition of a device for lymphatic drainage and a hydro-massage tub equipped for manual under-water massage
- Modernization works of the heating installation in the electrotherapy practices and the hotel's basement
- Modernization works on interior finishing in 20 hotel rooms
- The acquisition of a tape toaster, a tilting pan and an electrical grill
- Modernization works at the sewerage in the hotel's basement.
- The acquisition of an electrotherapy device with shortwave.
- Landscaping works at the outside leisure time space, repartitioning of the semi-basement, enlargement of the ground floor and building of a covered terrace.

5. MUREŞ COMPLEX: (planned value 400.000,00 lei, from which until 31.12.2018 were executed works worth 310.566,79 lei).

- modernization works interior finishing in the restaurant (including terrace)
- Modernization works of the fire detection system
- Modernization works of exterior pool's seating are
- Modernization works of interior finishing in the conference room(former library)
- Confection and fitting works of the poliplan blind on the restaurant's terrace
- Modernization works of the illumination electrical installation at the pool's seating area
- Modernization works interior joinery in the treatment area
- Acquisition of convection oven 6GN 1/1

6. APOLLO LIDO: (planned value 125.000,00 lei, from which until 31.12.2018 were executed works worth 125.844,05 lei).

- Acquisition and fitting of two cooling carcassed fan 8,77kW
- Modernization works of access doors into public spaces .

- Modernization works at the big exterior pool.
- confection and fitting works of a poliplan blind over the terrace above the massage practices from the Apollo 2 building .

7. FELIX LIDO: (planned value 52.000,00 lei, from which until 31.12.2018 were executed works worth 43.042,62 lei).

- Modernization works of access doors into public spaces
- Acquisition of two automatic pH dosing and control systems, CI in the waves pool

8. ADMINISTRATIVE OFFICE: (planned value 122.000,00 lei, from which until 31.12.2018 were executed works worth 2.813,00 lei).

- Extension and fitting works of a sewerage gutter in the commercial path area

9. HOUSEHOLD GROUP: (planned value 113.000,00 lei, from which until 31.12.2018 were executed works worth 116.350,00 lei).

- Acquisition of two cloths driers IPSO DR75 and an air conditioning 24000 BTU in the laundry room.
- Modernization works of the electrical installation in the laundry room.
- Acquisition of a CLU burner for the boiler in the thermal plant

10. WELLS AND BOREHOLES: (planned value 45.000,00 lei, from which until 31.12.2018 were executed works worth 0,00 lei).

11. EXTERIOR NETWORKS: (planned value470.00,00 lei, from which until 31.12.2018 were executed works worth 0,00 lei).

12. OTHER INVESTMENT WORKS: (planned value 285.00,00 lei, from which until 31.12.2018 were executed works worth 336.509,00 lei).

- The permission fee for the demolition of buildings has been paid
- Execution of buildings demolition works

13. DIVERSE FACILITIES: (planned value 1.520.000,00 lei, from which until 31.12.2018 were executed works worth 726.734,80 lei).

- Acquisition of IT soft and hard equipment necessary for the implementation of the Opera and Micros hotel and public food service online administration system in the entire company.
- modernization works of the PT1300 heating installation
- Acquisition of a Renault Midlum 220 Dxi garbage truck
- acquisition of a car Honda CR-V
- Extension and optimization of the intranet network
- modernization works of the room access system at International Hotel

- acquisition of furniture for the reception area :Internațional, Termal and Nufărul.
- Acquisition of a hydro-massage tub equipped with system for under water hand massage and a four-cell galvanic bath in the Treatment base Termal.
- Acquisition of TVs and works on the TV network in building B at Nufarul Hotel
- Acquisition of a static refrigerated buffet in Nufărul Restaurant .
- Execution of automation works of the cool water pumping system in the Thermal plant at Termal
- Acquisition of a printer for the accounting office from the Administrative Office

14. DIVERSE PROJECTING: (planned value 50.00,000 lei, from which until 31.12.2018 were executed works worth 45.830,00 lei).

- Designing project works for hotels' reception:Internațional, Termal and Nufărul
- Projecting works of the exterior pool of Poienita Hotel

c) The description of the main results of the company's activity's evaluation

1.1.1. *Elements of general evaluation*

a) Net profit

Year	2017	2018
Values - *lei*	3.683.802	10.255.638

b) Rate of turnover

Year	2017	2018
Values - *lei*	60.126.662	79.391.953

c) export

Year	2017	2018
Values - *lei*	0	0

d) costs

- lei

Indicators	Realized 31.dec.2017	Realized 31.dec.2018
Material expenses		
Expenses on raw material	73.200	64.559
Expenses on consumables	3.164.516	2.960.410
Expenses on inventory objects	1.268.665	2.747.755
Expenses on not stocked materials	50.567	65.895
Expenses on energy and water	7.687.307	8.072.678
Expenses on goods	7.185.362	9.248.288
Trade discounts received	-10.489	-21.010
Material expenses - total	***19.419.127***	***23.138.574***

- lei

Indicators	Realized 31.dec.2017	Realized 31.dec.2018
Expenses with third parties		
Expenses on maintenance and reparations	535.477	642.013
Expenses on rents	30.946	37.417
Expenses on insurance premiums	58.214	151.980
Expenses on studies and research	0	1.890
Expenses on the personnel's training	0	13.756
Expenses on collaborators	851.040	806.813
Expenses on commissions and honoraria	38.031	313.754
Expenses on protocol, advertising, publicity	150.359	259.260
Expenses on transport of goods and people	0	595
Expenses on travel, detachments and transfers	34.155	43.021
Postal expenses and telecommunication taxes	75.895	250.330
Expenses on assimilated banking services and similar	148.520	159.887
Other expenses on services - third parties	2.726.883	2.450.946
Expenses with third parties-total	***4.649.522***	***5.131.662***

- lei

Indicators	Realized 31.dec.2017	Realized 31.dec.2018
Taxes and fees		
Expenses on other taxes, fees	1.271.518	3.031.383
Taxes and fees – total	***1.271.518***	***3.031.383***

- lei

Indicators	Realized 31.dec.2017	Realized 31.dec.2018
Expenses on salaries		
Expenses on personnel salaries	18.261.471	27.061.556
Expenses on meal tickets given to employees	1.938.864	2.362.798
Expenses on insur. and social protection	4.713.025	34.784
Cheltuieli privind contribuţia asiguratorie de muncă Expenses regarding the working insuring contribution	0	613,548
Expenses on salaries – total	***25.273.360***	***30.072.686***

- lei

Indicators	Realized 31.dec.2017	Realized 31.dec.2018
Amortizations, adjustments, provisions		
Losses from receivables and sundry debtors	0	51.068
Other operating expenses	99.734	121.595
Operating expenses related to amortizations	6.377.566	6.113.162
Oper. expenses related to risks and expenses prov.	0	380.386
Income from provisions for risks and expenses	-218.691	0
Oper. expenses regarding current assets adjustment	0	580.936
Income from adjustments for deprec. of current assets	0	-51.068
Amortizations, adjustments, provisions – total	***6.258.609***	***7.196.079***
Operating costs – total	**56.872.136**	**68.570.385**

e) % held from the market

The company is an important element on this market.

The market share of S.C. Turism Felix S.A. in the balneary tourist activity from Romania in 2018 was of 8,25% (as number of tourists) , higher than the previous year when it was 7,20%.

In what concerns the overnights(tourist days), the company held in 2018 a share of 7,99%, increasing compared to the previous year when it was 6,21 on the local balneary tourism market.

The market shares are calculated based on the available statistical data, supplied by the National Institute of Statistics through the statistical Summary – Romania's Tourism 2018, respectively 2018, that represents the statistical information for 2017-2018.

f) liquidity (available in the account, etc.)

The available in cash and in the company's accounts on 31.12.2018 was 16.581.598 lei.

- lei

Cash and equivalents in cash	2017	2018
Accounts at banks in lei	8.169.949	14.089.526
Accounts at banks in foreign currency	2.123.090	2.446.307
Cash in "cash register"	6.209	10.159
Other equivalents in cash	196.764	35.607
Cash value and equivalents in cash on 31.dec.	**10.496.012**	**16.581.598**

1.1.2. *Evaluation at the merchant company's technical level*

The description of the main realized products and/or services offered by mentioning:

a) the main outlet markets for each product or service and distribution methods

The main outlet market of the basic tourist products have been:

- On the Romanian market: SC Transilvania Hotels & Travel SA Bucureşti as main tour operator, SC Exim Tour SRL, SC Sejur Perfect SRL, SC Bibi Touring SRL, SC International Turism&Trade SRL SC Accent Travel&Events SRL şi SC Nova Travel SRL, balneary treatment addressed to the insured of the National House of Health Insurances of Bihor county.
- On the external market towards countries such as Germania, Israel, Austria etc.
- On-line reservation of hotel services

We must mention the fact that the selling of the tourist products (other than the contracts with the National House of Public Pensions and with non-tourism companies) was mostly realized through SC Transilvania Hotels & Travel SA Bucharest, the tour operator travel agency that administered the accommodation places from the hotel units and public food services from the tourism portfolio of SIF Transilvania, from which SC Turism Felix SA. is part.

The outlet market to redistribute thermal energy and waste and thermo-mineral water are juridical and natural persons from Băile Felix, due to the fact that the existing heating installation and water networks are own, being thus a captive distributor. From the beneficiaries of these deliveries, the main are: SC CSDR Sind Turism SRL, SC SIND Tour Trading SRL, SC Transilvania Tour SA, Băile Felix Recovery Hospital.

b) the share of each category of products or services in the revenues and total turnover of the company for the past two years;

- lei

Indicators	Realized 31.dec.2017	%	Realized 31.dec.2018	%
Incomes from accommodation	19.011.302	31,24%	27.271.369	34,26%
Incomes from public food service	21.968.815	36,11%	28.427.569	35,71%
Incomes from treatment	4.942.813	8,12%	8.265.554	10,38%
Incomes from leisure activities	8.995.892	14,78%	9.985.773	12,54%
Incomes from rents	673.074	1,11%	739.574	0,93%
Other incomes related to the turnover	4.534.767	7,75%	4.702.114	5,91%
Turnover	**60.126.662**	**98,82%**	**79.391.953**	**99,73%**
Other Incomes from operation	719.290	1,18%	217.453	0,27%
Incomes from operation – total	**62.616.492**	**100%**	**79.609.406**	**100%**

*The incomes are decreased with the provisions for the risks and expenses that are adjusted based on the corresponding expenses accounts; these are reflected in the Account of profit and loss

c) the new products taken into consideration from which it will affect a new volume of shares in the future financial year as well as the development stage of these products.

Not the case

1.1.3. *The evaluation of the technical-material supply activity (indigenous sources, import sources)*

All the suppliers are ISO/HCCP certified or in course of certification. The accepted suppliers were evaluated based on ISO9001. All the supplied alimentary and material goods are accompanied by quality certificates, declaration of conformity, security sheet, sanitary veterinary certificate according to the specific of each product.

The supplying with raw materials is made directly from the suppliers or direct distributors, being thus possible the negotiation of some prices, advantageous for the company. The prices are well correlated in report to quality.

The stocks of row materials and materials are at the necessary minimum level. Due to systematic supply there are no gaps created in the stocks of raw materials and materials. This fact determines a good rotation speed of stocks (19,27 days).

The suppliers of raw materials and materials manifest trust in the company's financial solidity, existing few cases in which operations of settlement are performed through instruments like CECs or promissory notes. Payment conditions were negotiated in conformity with the stipulations of the Commercial code with terms between 12 and 60 days.

The main suppliers are:

- Alimentary goods: SC Ferma Zootehnică SRL Baia Mare, SC Romconex SRL Oradea, SC Metro Cash&Carry SRL, SC Moisi Serv SRL, SC Vandana SRL Oradea, SC Panificatie Tomis SRL Oradea, SC Pelops SRL Oradea, SC Macromex SRL, SC Coca Cola HBC SA România, SC Pigalle&Colors SRL, SC Matros SRL Oradea, SC Agroalim Distribution SRL Bucureşti, SC Forelit SRL Sălard, SC Selgros Cash&Carry SRL.

- materials: SC Euro Auto SRL, SC Tiger Amira SRL, SC Arc Electronic SRL, SC Florencio SRL, SC Dito SRL, SC Fado Trade SA, SC Apullum SA Alba Iulia, SC Dimanche SRL Timişoara

- construction works and fitting, repairs and equipment: SC Star Decor SRL Oradea, SC Inselma SRL, SC Crito Prod SRL, SC Victema SRL, SC Minela Exim SRL, SC Otis Lift SRL

- utilities: SC Met România Energy SRL, SC Termoficare SA Oradea, SC RDS&RCS Romania SRL, SC Compania de Apa SA

1.1.4. *The evaluation of the selling activity*

a) The description of sales' evolution sequentially on the internal and/or external market and the sale's perspectives on long and medium term:

The obtained turnover 79.391.953 lei is mainly composed of incomes from three clients which are The National House of Public Pensions (11.308.451 with a share of 14,24% from the turnover), SC Exim Tour SRL SA (5.325.796lei with a share of 6,70% from the turnover), respectively Transilvania Hotels & Travel SA (5.953.011 lei with a share of 7,49% from the turnover).

In the analysis of the tourist activity's main indicators for the year 2018, the first analyzed indicator is the places' occupancy rate (the average using index of the functioning capacity), which at the level of 2018 was of 62,91% being with 15,26 percentage points bigger than in 2017 (when it was 47,76%).

The places' occupancy rate shows the efficiency of the use of the functioning accommodation capacity, in this sense it is to mention the fact that in 2018 the functioning accommodation capacities higher than in 2017 with 2,3% 12.302 places and a part of the accommodation capacities are closed in the low demand period (off season, trimesters I and IV).

These reasons, together with the slight increase of the average length of stay, have determined in 2018 the realization of a bigger average occupancy rate of the functioning places than in 2017.

In what concerns the realized total tourist days, in 2018 a growth of 35% (91.068 tourist days) was registered, compared to 2017:

- the growth of the number of tourist days with 35% (91.068 tourist days), from 260.229 tourist days in 2017 to 351.297 tourist days in 2018;

- The total tourist days realized in 2017 had a number of 351.297 tourist days, from which tourist days realized by Romanian citizens were 338.835 and those realized by foreigners were 12.462 tourist days.

As structure, in 2018 compared to 2017 the following modifications were registered at tourist days categories:

- the decrease of the number of tourist days on the 4* tourist accommodation segment; from 76.108 in 2017 to 72.084 in 2018 (5,29%, 4.024 tourist days)

- the growth of the number of tourist days on the 3* tourist accommodation segment; from 96.751 in 2017 to 103.597 in 2018 (7,08%, 6.846 tourist days)

- the growth of the number of tourist days on the 2* tourist accommodation segment; from 87.370 in 2017 to 175.616 in 2018 (101%, 88.246 tourist days)

- the average income/ tourist-day in 2018 is of 244,23 lei, higher with 13,18 lei compared to the previous year(231,05 lei) in the conditions of the growth of the tourist-days.

- It has decreased the number of foreigners' tourist-days with 28% that is with 7.641 tourist days;

- It has increased the average length of stay from 4,25 days in 2017 to 5,4 days in 201, greater increase being registered at Romanian tourists from 4,14 , days in 2017 to 5,43 days in 2018;

The total number of tourists has increased from 61.202 in 2017 to 64.353 in 2018, the increase being of 3.151 tourists. In 2018 a number of 351.297 tourist days were realized, more with 91.068 tourist days compared with the previous year.

The company's policy regarding the increase of the number of arrived tourists has concentrated on direct contracts fact that has led to a growth on the relation of organized internal tourism. These numbers place S.C. Turism Felix S.A. on an important position in the tourism for health from Romania.

b) Description of the competitive situation in the merchant company's domain of activity, the market share of the products or services of the merchant company and the main competitors

In Romania there is a significant number of tourist resorts especially oriented towards the balneary segment the best known being Băile Herculane, Sovata, Băile Olăneşti, Covasna, Vatra Dornei, Băile Tuşnad, Ocna Şugatag, Năvodari, Sângeorz Băi, Slănic Moldova, Mangalia, Soveja. The tourist facility of these resorts is mainly formed of hotel complexes built before 1989 some of them being subject to modernization investments once taken over by various investors.

An important competitor of the company is the company SIND Romania reorganized in ventures, from which SC CSDR SIND Turism SRL and SC SIND Tour Trading SRL, that owns assets in the resort. SC SIND Romania is considered one of the most important tourism companies in Romania. It owns approximately 20.000 accommodation places (hotels, villas) especially in the two stars category from which 10% in the resort Băile Felix.

Important to mention is the fact that each resort mentioned above is specialized in the treatment of specific disease, being impossible to speak about a direct competition between them.

Another important aspect in making the competition analysis is also the category of tourist services offered by companies, with usually a well-defined segment of customers for each company which usually does not correspond to other companies. As a result we can speak about a direct competition only locally, inside the Băile Felix resort, here being mainly about the same segment of clients that are concerned about the curative properties specific to thermal waters in the resort.

It is to mention the fact that thermal water sources in the Băile Felix resort are in the property of the company following their concession by the state for a period of 20 years.

The competitor situation for the tourist product of balneary treatment:

- in Băile Felix**:**

○ SC CSDR SIND Turism SRL, SC SIND Tour Trading SRL, SC Transilvania Tour SA, pensions, etc.

○ Hotel President ****: 196 accommodation places, 200 restaurant places, 350 wedding hall places, wellness centre, aqua park inaugurated in 2012 which is a direct competitor for the hotels Internaţional**** , Termal*** şi Nufărul***

○ Felix Recovery Hospital: 150 beds in Băile Felix and 90 beds in Băile 1 Mai. The hospital has a new outpatient treatment department where, based on evidence of insurance and the referral letter from a GP or specialist, treatment is free. It is the largest competition in the 2-star hotels.

- in Băile 1 Mai:

- Hotel Ceres **(474 places) UTB (belongs to the National House of Public Pensions) that, beside balneary treatments, from 2012 has an artificial saline enlarging its treatment area to those of the respiratory system.
- Hotel Perla *** 100 places and is competition for the 3 starts hotels.

- in the country: SC Sovata SA, SC Băile Herculane SA.

c) description of any significant dependency of the merchant company to a single client or group of clients whose loss would have a negative impact on the incomes of the company.

Not the case

1.1.5. *.The evaluation of aspects related to the merchant company's employees/personnel*

a) Specifying the number and level of training of company employees and the degree syndication of the workforce

At the end of the year 2018, compared to the year 2017, *the structure of employees on types of activities,* is the following:

No.	*Expenses on employees*	*Actual no. of employees*		*Share in the total employees*	
		2017	2018	2017	2018
1.	Total employees hotel complexes and leisure activities, from which	568	604	78,13	80,32
	- accommodation structures	165	180	22,70	23,94
	- public food service	248	256	34,11	34,04
	- leisure activities	38	36	5,23	4,79
	- treatment facilities	117	132	16,09	17,55
2.	Maintenance employees, reparations, transport, auxiliary, production	94	85	12,93	11,30
3.	TESA employees	65	63	8,94	8,38
4.	Total of employees	727	752	100,00	100,00

From the data presented above results the fact that the number of employees in 2018 has increased with 3,34% respectively 25 employees. At level of the hotel complexes and leisure activities the number of employees has registered the following situation:

- accommodation structures → the number of employees increased with 9,09%
- public food services → the number of employees increased with 3,22%
- leisure activities → the number of employees decreased with 5,26%
- treatment → the number of employees increased with 12,82%

From the total of employees (752 salaried), 39,23% are men (295 salaried) and 60,77% are women (457 salaried).

On age categories, the situation of the personnel is the following: the age group between 36-45 predominates with a number of 215 salaried, and the first four age groups(up to 45 years old) include a number of 393 salaried representing 52,26 from the total of salaried.

In what concerns qualification, formation, instruction and training of employees, there is a number of 14 salaried who have qualified, trained, instructed and completed their studies.

At the level of hotel complexes there are professional training courses done, both in the serving space, production and in the accommodation and treatment spaces , by the company's personnel and the managers of the jobs and the salaried from the Quality Office. The training is based on the themes from the Training Plan, appendix to the Collective Labor Agreement and are emphasized in the training's confirmation forms.

In 2018 there were signed *Collaboration Agreements, Practice Conventions* with different national congresses and profile associations, for the instruction of students in the domain of public food service, respectively hotel. The medical personnel, respectively doctors, have participated in symposiums, conferences and national and international congresses related to medical services offered by company in order to diversify and improve their quality.

The average number associated to the financial year 2018 is of 721 persons, from which 39 managing persons and 682 executive persons.

Shortly, the Company's personnel's structure is thus presented:

Structure of the personnel	Average number
average number associated to financial year2018	721
1. managing personnel - total, *out of which:*	
- executive directors	3
- T.E.S.A. managing personnel – office chiefs	6
- managing personnel from hotel complexes and leisure activities	28
- managing personnel from auxiliary sectors	2
2. executive personnel - total, *out of which:*	
- T.E.S.A. executive personnel	52
- executive personnel from hotel complexes and leisure activities - total, *out of which:*	421
a) hotel receptionists	*21*
b) maids	*52*
c) administrators: bar tenders, administrator cooks, barkeepers, administrator workers	*26*
d) cooks	*56*
e) waiters	*64*
f) kitchen workers: waiter helpers (unqualified)	*23*
g) kitchen workers: cook helpers (unqualified)	*39*
h) porters	*38*
i) other personnel	*102*
- executive personnel in auxiliary sectors	104
- executive personnel from the treatment facility	105

At the society level, the working relationships that concern elements of syndicate nature, the personnel's interests are represented by the employees' representative.

b) Description of the relationship between manager and employees and of any conflicting elements that characterize these relationships.

There aren't and there aren't reported conflicting elements that can negatively affect labor relations at the company level.

1.1.6. *The evaluation of aspects relates to the impact of the issuer's basic activity on the environment*

Summary description of the issuer's basic activities on the environment as well as of any existent or expected litigation regarding the violation of environment protection legislation,

The company operates both its current activity and the investment one, in conditions of real protection of the environment, obtaining all the environmental permits necessary for each type of activity.

1.1.7. *The evaluation of the research and development activity*

Indication of expenses in the financial year and those that are anticipated in the next financial year for research and development activity.

Through its specific activity, namely hotels and other similar services, in 2018 the company did not record expenses on research and development activity, and for the year 2019 does not intend to conduct such expenses

1.1.8. *The evaluation of the merchant company's activity regarding risk management*

Description of policies and objectives of the merchant company regarding risk management

In the conditions of the economic situation at the branch level, of the increasing number of tourist days in 2018 the results are still notable due to measures taken through selling policies regarding tariff formation and management of costs, from which we mention:

- optimization of arrivals in tourist reception establishments to ensure an occupancy rate that allows operation under conditions of efficiency
- flexibility of opening hours of tourist reception establishments closely related to market segments and their seasonality
- continuous development and promotion of the service packages which led to increased customer satisfaction in conditions of economic profitability

- implementing some policies of selling of leisure services in order to attract new tourists from internal and external surrounding areas

- reduction and optimization of utilities consumption

-Effective human resource management in correlation with operational capacity at the lowest achievable cost

-Rhythmic supply and minimum stock of goods, raw materials and consumable materials

-efficient cash flow through tracking measures of the due of receivables and payables

-commitment of expenditure in correlation with the moment of realization of income developed in closely concordance with ensuring availabilities

-engaging in maintenance, repair and minimal modernization, in crisis conditions ensuring necessary comfort

The method "scoring" aims to provide predictive models for assessing the risk of bankruptcy of the company. This method is based on statistical techniques of discriminant analysis.

The application of discriminator analysis through the Alman method, it is obtained a “Z” score, that represents a linear function of a set of rate

The Society’s flexibility degree is maintained at the previous years’ level.

There is a decrease from the previous year of the own contribution to the financing of investments as a result of granting dividends, while the return on patrimony is in an easy trend of growth.

The market value of the company's share capital lies on an upward trend and the indebtedness on medium and long term is in continual decline.

Following the company's bankruptcy risk assessment by the method Alman, it is noted an improvement of the solvency, this being high.

Analyzing bankruptcy risk calculated by the two methods we can conclude that the risk of bankruptcy is almost nonexistent.

Bankruptcy risk through scoring method

ALTMAN FUNCTION

Rates involved in determining score "Z"					weighting coefficient	Score obtained during analysis	
Rate no.	the formula of the involved rates		Calculation values during analysis				
			2017	2018		2017	2018
r1	Circulating asset / total asset	Ac / At	19.497.534,35 / 213.934.154,29	31.459.809,47 / 234.314.784,03	1,2	0,1094	0,1611
r2	Reinvested profit / total asset	Pn_{reinv} / At	1.646.655,86 / 213.934.154,29	4.590.501,14 / 234.314.784,03	1,4	0,0108	0,0274
r3	The current result before tax / total asset	Pb / At	4.213.944,57 / 213.934.154,29	11.024.732,34 / 234.314.784,03	3,3	0,0650	0,1553
r4	Stock market capitalization / Loans	K_{BVB} / D_{tml}	108.160.581,41 / 1.075.771,62	147.844.836,80 / 1.099.039,53	0,6	60,3254	81,2590
r5	Turnover / total asset	CA / At	60.126.662,08 / 213.934.154,29	79.391.953,12 / 234.314.784,03	0,99	0,2782	0,3354
Z = 1,2 r1 + 1,4 r2 + 3,3 r3 + 0,6 r4 + 0,99 r5						**60,7839**	**81,9383**
Z ≤ 1,5		very high risk area, imminent bankruptcy				-	-
1,51 ≤ Z ≤ 1,8		high risk area, bankruptcy in one year time				-	-
1,81 ≤ Z ≤ 2,70		area of uncertainty with high risk of bankruptcy, liquidity deficit				-	-
2,71 ≤ Z ≤ 2,99		Area of reduced risk of bankruptcy, solvable				-	-
Z ≥ 3		area without risk of bankruptcy (non-existent), high solvency				**60,7839**	**81,9383**

Formula of Altman function: Z = 1,2 r1 + 1,4 r2 + 3,3 r3 + 0,6 r4 + 0,99 r5

Used variables:

r1 Circulating asset / total asset – rate structure of assets and measures the degree of flexibility of the business operatoreconomic
r2 Reinvested profit / total asset – indicates the contribution of the of the business operator to finance investments
r3 Gross profit / total assets – quantifies the performance of the patrimonial assets
r4 The market value of the capital / long term obligations – quantifies a part of the degree of indebtedness
r5 turnover / total asset – expresses the assets' yield

Canon Holder Model

It is based on the following function:

$$Z = 16*R1 + 22*R2 - 87*R3 - 10*R4 + 24*R5$$

No.	Indicator	U.M.	values		Symbol
			la 31.12.2017	la 31.12.2018	
1	Debts	lei	6.423.677	11.237.379	De
2	Cash on hand	lei	10.496.012	16.581.598	C
3	Short term debts	lei	7.360.998	18.306.005	Std
4	Permanent capital	lei	204.488.853	212.915.472	Cpm
5	Total liabilities	lei	213.934.154	234.314.784	TL
6	Financial expenses	lei	19.762	96.540	Fex
7	Total incomes	lei	61.105.912	79.691.657	Ti
8	Expenses with the personnel	lei	25.273.360	30.072.686	Exp
9	Added value	lei	36.560.717	51.235.083	AV
10	Gross surplus of operation	lei	10.015.839	18.131.013	GSO
11	**R1**	-	**2,2986**	**1,5197**	(De + C) / Std
12	**R2**	-	**0,9558**	**0,9087**	Cpm / TL
13	**R3**	-	**0,0003**	**0,0012**	Fex / Ti
14	**R4**	-	**0,6913**	**0,5870**	Exp / AV
15	**R5**	-	**0,2740**	**0,3539**	GSO / AV
16	**Z = 16*R1 + 22 * R2 - 87*R3 -10*R4+24*R5**	-	**57,4396**	**48,8236**	**Z**

Status of the enterprise	interval Z	Score Z	bankruptcy probability
Unfavorable situation	Z < 4	negative	80%
		0 - 1,5	75 - 80 %
		1,5 - 4,0	70 - 75 %
Uncertain situation	4 < Z < 9	4,0 - 8,5	50 - 70 %
		8,5 - 9,0	35%
Favorable situation	9 < Z < 16	9,0 - 10,0	30%
		10,0 - 13,0	25%

		13,0 - 16, 0	15%
Very good situation	16 < Z < 25	16 - 20	sub 15 %
		20 - 25	sub 10%
		over	Not existing

1.1.9. *Elements of perspective regarding the merchant company's activity*

a) Presentation and analysis of trends, items, events or uncertainty factors that affect or could affect the company's liquidity compared with the same period of the previous year

The perspectives of the year 2019:

1) We think that in 2019 there is the possibility to realize incomes comparable to those from 2018 in conditions of groeing the cost compared to the previous year's level, we estimate a realizable profit of 8.000.000 lei, for the following reasons:

- The positive impact of investments realized until the present in the quality and range of offered service

- upgrading the price of services offered by the company in relation to the relative growth of costs and the qualitative improvement of the offered services

- the efficient managing of costs through a functioning flexible schedule of hotel complexes with low occupancy rate during off season

- The launch of flexible programs with the facilities of accommodation, leisure activities and treatment

- the diversification of selling policies considering a passing from treatment balneary tourism to a recreational balneary tourism

2) As a result of investment prioritization there will be concentrated the financing sources included in the development strategy, in order to improve the leisure activities and treatment ambient and conditions, aiming to provide superior quality of offered services.

b) Presentations and analysis of the effects of capital expenses, current or anticipated on the merchant company's financial situation in comparison to the same period of the previous year.

The situation of changes of own capital in the year 2018 is as follows

:Lei

Name of the element	Share capital	Revaluation reserves	Other reserves	Retained earnings	Current income	Total
Balance on 01st January 2018	**49.614.946**	**78.940.195**	**69.966.555**	**1.260.131**	**3.631.254**	**203.413.081**
Profit or loss	**0**	**-1.602.424**	**3.109.268**	**2.232.673**	**6.516.121**	**10.255.638**
- Retained earnings transfer	0	0	0	3.631.254	-3.631.254	0
- surplus from realized revaluation	0	-1.602.424	1.602.424	0	0	0
-income of current financial year	0	0	108.263	0	10.147.375	10.255.638
- retained earnings distribution – other reserves	0	0	1.398.581	-1.398.581	0	0
- re-evaluation reserves	0	0	0	0	0	14.794.130
Other elements of the global income	**0**	**0**	**0**	**0**	**0**	**0**
- other elements of the global income	0	0	0	0	0	0
Transactions with owners	**0**	**0**	**0**	**-2.232.673**	**0**	**-2.232.673**
- granted dividends	0	0	0	-2.232.673	0	-2.232.673
Balance on 31st December 2018	**49.614.946**	**77.337.772**	**73.075.823**	**1.260.131**	**10.147.375**	**211.436.047**

b) *Presentation and analysis of events, transactions of economic changes that affect significantly the incomes from the basic activity.*

Not the case.

2.2 TANGIBLE ASSETS OF THE MERCHANT COMPANY

2.1 *Specification of the location and characteristics of the main production facilities owned by the merchant company*

The main accommodation capacities, public food service and treatment of the company consist of: a complex of four stars (International) with a total capacity of 340 beds, 535 places for public food service, 600 pool seats, 400 places balneary treatment and other facilities, two three stars hotel complexes (Termal and Nufărul) with a total capacity of 448 beds, 784 places for public food service, 400 places of balneary treatment and other facilities, four two stars hotel complexes (Poieniţa, Mures, Somes and Unirea) with a total capacity of 1,588 beds, 1,385 places for public food service, 1,400 places of balneary treatment and other facilities. In addition to these complexes the company operates three swimming pools (Apollo, Felix and Venus) the public food service complex Poiana, which includes Dark Club with a capacity of 300 seats.

In total the company has 2,394 beds, 2,892 places for public food service and five treatment facilities that can perform up to 8,300 operations per day, conference rooms with a capacity of 1,100 seats, recreation facilities: swimming pools and outdoor lidos, mini aqua park, clubs, sport fields, fitness rooms, wellness centers etc.

Hotel International **** is the first hotel in Romania to receive the logo EUROESPA-med, that proves the fulfillment of the European Spas Association (ESPA) standards, referring to the general infrastructure of therapies, hygiene and tourist's security.

Through the concession license for exploitation no. 646 / 08.04.2000 the National Agency for Mineral Resources leased to SC Turism Felix S.A. for a period of 20 years, extendable for successive periods of five years, all the thermo-mineral water resources of the resort resulted from drilled captures, other traders using this resource based on delivery contracts concluded with the company.

2.2 *Description and analysis of the wear degree of the merchant company's properties*

The level of the wear degree:

No.	SPECIFICATION		Analysis period			Symbol
			2016	**2017**	**2018**	
1	Amortization related to tangible assets	lei	32.291.966	26.007.255	31.323.594	Amz
2	Tangible assets	lei	172.233.748	180.028.341	184.263.402	Mf
3	**Average wear degree**		**18,75%**	**14,45%**	**16,99%**	**Gu=Amf/Mf**

The low average wear degree is due to revaluations done during the years, the registration technique of revaluations being through eliminating the cumulated amortization. Across fixed assets, there is a relatively acceptable average degree of wear, the most used being those in the category "other technical installations and means of transport ".

The accounting policy of the company for the re-evaluated tangible assets was the alternative accounting treatment, respectively the presentation in the financial situations of the fixed assets at the re-evaluated value, less the cumulated amortization.

2.3 *Specification of the possible problems related to the property right over the tangible assets of the merchant company*

Not the case

3. MARKET OF SECURITIES ISSUED BY THE MERCHANT COMPANY

3.1 *Specification of the markets in Romania and other countries on which are negotiated securities issued by the merchant company*

From 1997 and during the year 2006, the company’s shares have been registered and traded on the RASDAQ stock market, having the symbol “TUFE”. The inventory of the shareholders is kept by the Central Depository (ex REGiSCO) in conformity with the contract no.7778/01.03.2007. On the 19.02.2007, the company has been admitted to trading on regulated market administered by S.C. Bursa de Valori Bucureşti S.A. Starting with 14 March 2007 the company is listed at B.V.B. Bucharest.

It is a publicly owned company, in conformity with the terminology provided in Law 297/2004 regarding the capital market, being registered at the National Securities Commission – Office for the inventory of securities in conformity with the registration certificate no. 2029/02.12.2002.

The company owns the LEI code 254900YRWU6MYZS4BB14 (the identification code of the legal entity) as a part of the alignment of the participants to the financial markets of measures packages adopted at European level.

3.2 *Description of the merchant society’s policy regarding dividends. Specification of due / paid / accumulated dividends in the last 3 years and if applicable, the reasons for the possible reduction of dividends during the last three years*

The company registers at the end of 2016 net dividends due and unpaid in the amount of 351.785 lei for the years 2001-2003, 2012 - 2017. In the period 2004-2011, the issuer's policy has been to reinvest the obtained profit, the company needing capital resources to develop investments thus not distributing dividends.

According to the Decisions of G.A.S the company has maintained the dividends distribution program in correlation with the need of capital resources distributing the remaining net profit as an own financing source for sustaining the company’s investing program.

Because providing capital resources on medium and long term represents a major coordinate of the issuer’s strategy, he will maintain his dividend and profit reinvestment policy in the future.

The net profit realized in 2018 is worth 10.255.637,92 lei, and the distributed legal reserve is worth 108.262,87 lei.

The value of the gross dividend proposed to be given to the company's shareholders is of 0,0093 lei/share, to whom corresponds a net dividend per share of 0,0088 lei / share, at a taxation rate of 5%, and the total value of the gross dividend is of 4.614.189 lei.

The remaining amount to be distributed, 5.533.185,11 lei, is proposed to be distributed to other sources of financing to support the investment program in view of the company's development.

3.3 *Description of any of the merchant company's actions of purchasing its own shares*

From foundation until the present, there was no decision regarding the purchasing of own shares.

3.4 *In the case when the merchant company has subsidiaries, the specification of the number and value of the shares issued by the parent company held by the subsidiaries.*

Not the case

3.5 *In the case when the merchant company has issued bonds and/or other debentures, the presentation of the way in which the merchant society pays its bonds towards other holders of such securities*

The company has not issued bonds or other debentures in 2018, and neither previous this year, so that it has no obligations towards other holders of such securities.

CAP. 4. THE MANAGEMENT OF THE MERCHANT SOCIETY

During 2018 the company has been administered by a Managing Board formed of five members appointed as based on an administration contract for the term 2016-2020, in conformity with the decision of the Ordinary General Assembly of Shareholders no. 2 from 30.12.2016.

The executive management is assured by a general manager who carries out his duties based on the Contract of mandate signed with the Managing Board and a team of 4 executive directors.

4.1. *Presentation of the company's list of managers:*

At the end of 2018 the company was managed by the Managing Board formed of here appointed members based on an administration contract for the term 2016-2020, in conformity with the decision of the Ordinary General Assembly of Shareholders no. 2 from 30.12.2016.

- dr. ec. Mihai Fercală – President

- dr. ec. Tudor Ciurezu – Member

- ec. Cotrău Gheorghe – Member

(1) Mihai Fercală *Chairman of the Managing Board of SC Turism Felix SA*

a) was born in 1950 in the town Mihăileni, Botosani county, currently residing in Sacele, Timis street no. 28. In 1975 he graduated from the Faculty of Economic Sciences - University "Al. I Cuza" Iaşi, major in finance and has a PhD in economics, specialization management. After graduating he works as an economist at the financial service at the enterprise Trucks Braşov, economist at the external contracts department at AUTOEXPORTIMPORT Braşov, financial-accounting chief, chief accountant and economical director at the Industrial Centre of Vehicles for Transport (C.I.A.T.) Braşov, main economist, financial office chief at the enterprise Precision Mechanics Sinaia, main economist I/economical councilor at the Industrial Centre of Tractors, Trucks and Agricultural Machines Braşov. In the period 1990-1992 he was senator- secretary of the Budget- finances Committee of Romania's Parliament, and starting with 1992 and until 25.05.2013 he runs his activity within SIF Transilvania having the function of MB President of SIF Transilvania. Starting with 29.05.2013 he has as well the function of MB president within SC Şantierul Naval Orşova SA.

b) any settlement, agreement of family connection between the respective administrator and another person due to whom the respective person was appointed administrator: - *not the case*

c) the participation of the administrator at the merchant company's share capital: *53.100 shares; 0,01%;*

d) the list of persons affiliated to the merchant company: - *not the case*

(2) Tudor Ciurezu*, member of the Managing Board of SC Turism Felix SA*

a) was born in 1954, presently residing in Craiova. He has gradated from the Faculty Economic Sciences Craiova in 1978 specialization Finances-accounting. PhD in economics, Associate Professor within the University from Craiova, faculty of Economics and Business Administration , Accounting department, being author and coauthor of 15 published books. From 1996 to 2012 he held the function of Assistant General Director and Vice-president MB within SIF Oltenia SA. starting with 2012 he has the function of President of the MB and General Director of SIF Oltenia SA.

b) any settlement, agreement of family connection between the respective administrator and another person due to whom the respective person was appointed administrator: - *not the case*

c) the participation of the administrator at the merchant company's share capital: *0 shares*

d) the list of persons affiliated to the merchant company: **- not the case**

(3) Gheorghe Cotrău*, member of the Managing Board of SC Turism Felix SA*

a) was born in 1951, presently residing in Arad. In 1975 he graduated from the faculty of Economic Sciences- University „Al. I Cuza" Iaşi, specialization finances-banks. Starting with 1994 and until the present he is General Director of SC Lotus Ind Impex SRL Arad.

b) any settlement, agreement of family connection between the respective administrator and another person due to whom the respective person was appointed administrator: - *not the case*

c) the participation of the administrator at the merchant company's share capital: 0 shares

d) the list of persons affiliated to the merchant company: **- not the case**

4.2. *Prezentarea listei membrilor conducerii executive a societăţii comerciale.*

The organization, leadership and management of the present activity is realizes by the team of executive directors under the leadership and responsibility of the General Director, carrying out the Managing Board's decisions in order to accomplish the objectives established through the Budget of Incomes and Expenses approved by the General Assembly of Shareholders. The company's executive leadership has been assured by a managerial team, team that during 2018 had the following composition:

- ec. Florian Serac - General Director,
- ec. Popa Marcel – Chief Accountant,
- ec. Hepeş Rodica Melania - Commercial Director,
- dr. Tărău Ion Mircea - Medical Director.

The participation of the executive leadership at the company's share capital, according to the Registry of shareholders released by S.C. Depozitarul Central S.A. on the 31.12.2018 shows the following:

- **Serac Florian**

a) the term for which the person is part from the executive leadership: – *indefinite term*

b) any settlement, agreement of family connection between the respective administrator and another person due to whom the respective person was appointed administrator: - *not the case*

c) the participation of the respective person at the merchant comany's capital : *2.562.224 shares; 0,516 %*.

- **Popa Marcel**

a) the term for which the person is part from the executive leadership: – *indefinite term*

b) any settlement, agreement of family connection between the respective administrator and another person due to whom the respective person was appointed administrator: - *not the case*

c) the participation of the respective person at the merchant company's capital : *0 shares- not the case;*

Hepeş Rodica Melania

a) the term for which the person is part from the executive leadership: – *indefinite term*

b) any settlement, agreement of family connection between the respective administrator and another person due to whom the respective person was appointed administrator: - *not the case*

c) the participation of the respective person at the merchant comany's capital : *177.718 shares; 0,035 %*.

- **Tărău Mircea**

a) the term for which the person is part from the executive leadership: – *indefinite term*

b) any settlement, agreement of family connection between the respective administrator and another person due to whom the respective person was appointed administrator: - *not the case*

c) the participation of the respective person at the merchant company's capital : *0 0%shares - not the case*

4.3. *For all persons presented in 4.1. and 4.2. specifications of any litigation or administrative proceedings that they were involved in the last 5 years related to their activity within the issuer, as well as those concerning the ability of that person to perform his duties within the issuer:*

We mention that the society does not have knowledge that the presented persons have been involved in litigation or administrative procedures in the last 5 years or to have had restrictions regarding the occupation of leading functions within the company.

CAP.5. THE FINANCIAL-ACCOUNTING STATEMENT

The presentation of the current economical-financial analysis in comparison with the last 3 years, by referring at least at:

a) *balance sheet items, assets that represent at least 10% from total assets; cash and other liquid assets; reinvested profits; total current assets; Total current liabilities;*

SITUAŢIA POZIŢIEI FINANCIARE

- lei

	31.dec.17	**31.dec.18**
Assets		
Non-current assets		
Tangible assets	153.623.556	162.520.888
Intangible assets	38.303	25.570
Property investments	397.530	358.070
Financial assets	39.820.673	39.820.673
Receivables with deferred corporate tax	5.052	5.052
Total non-current assets	**193.885.114**	**202.725.201**

- lei

	31.dec.17	**31.dec.18**
Currents assets		
Stocks	1.215.865	1.230.328
Commercial receivables	5.840.349	8.056.701
Other receivables	1.139.886	3.310.451
Receivables with current profit tax	140.197	15.260
Short term investments	1.361.980	2.410.505
Cash and equivalent in cash	10.496.012	16.581.598
Total current assets	**20.194.289**	**31.604.843**
Total assets	**214.079.403**	**234.330.044**

Ownership equities and liabilities		
Ownership equities		
Share capital	49.614.946	49.614.946
Retained earnings	1.260.131	1.260.131
Reserves	148.906.751	150.413.595
Current earnings	3.683.802	10.255.638
Distribution of profit	-52.548	-108.263
Total ownership equities	**203.413.081**	**211.436.047**
Non-current payables		
Long term loans	0	0
Long term provisions	0	380.386
Other long and medium term loans	1.075.772	1.099.040
Total non-current payables	**1.075.772**	**1.479.426**
Current payables		
Commercial payables	3.642.953	13.787.700
Current taxes	850.793	1.264.186
Other payables	173.554	170.777
Other payables	4.923.250	6.191.909
Total current payables	**9.590.550**	**21.414.572**
Total payables	**10.666,322**	**22.893.997**
Total liabilities	**214.079.403**	**234.330.044**

For the financial year 2018, the individual annual financial statements were drafted according to the Order of the Minister of public finances no. 2844/2016 by applying the International Standards of Financial Reporting, with the subsequent amendments and additions.

Annual accounting reporting on 31.12.2018 is in conformity with the reporting regulations regarding entities whose securities are admitted to transactions on a regulated market that applies the Accounting regulations that are in conformity with the International standards of financial reporting, stipulated at point 1.1 from annex 3 at the Order of the Minister of public finances no. 10/2019, regarding the main aspects related to the drafting and submission of annual financial statements and the annual accounting reporting of business operators at the territorial offices of the Ministry of Public Finances.

The total assets at the date of reporting are worth 234.330.044 lei, from which non-current assets are worth 202.725.201 lei and current assets 31.604.843 lei.

The value of assets registered in the accounting statements on 31.12.2018, found in the patrimony, is reflected by the acquisition cost or according to reevaluated values for tangible assets such as lands and constructions.

In the category "Constructions", the damping is linear, the damping times are established between 8-60 years. For the category "Lands" according to accounting policies damping is not calculated.

The tangible assets out of patrimony by sale, decommissioning or other ending ways, are reflected in the profit and loss account at the net book value. Their reevaluation difference is considered integrally realized only upon sale or decommissioning and the is transferred to the reported result, being subject to taxation.

The revaluation surplus is considered realized as **damping** and transfer to other reserves take place, being subject to taxation.

The gross book value is recovered through the method of linear damping, in conformity with the legal norms in force, the growths along the year have been influenced by acquisitions and modernization on existing fixed assets.

During 2018, the book values regarding intangible and financial assets haven't been influenced by revaluation differences.

The entries of tangible assets were worth 22.484.552 lei that consist of acquisition Venus Lido worth 21.383.353 lei, investment and modernization works put into service worth 1.101.488 lei and 886.647 lei in process.

During 2018 there were no fixed assets obtained from direct labour.

The value of fixed assets outputs, others than lands, during 2018 is worth 784.089 lei, realized based on decommissioning procedure.

There were not built adjustments for the depreciation of fixed assets.

The rate of tangible assets is of 69,36%, this was influenced by the continuation of finalization works and commissioning of the new investments, as well as by the continuation of modernization works.

The high percentage of tangible assets in the total of assets is normal taking into consideration the specificity of the activity.

The value of the net intangible assets is of 162.520.888 lei, increasing with 5,79% in comparison to the previous year, with the mention that the fixed assets as constructions and investments were re-evaluated on 31.12.2017

➢ Tangible assets at gross value year 2018:

- lei .

31 December 2018	Lands	Constructions	Technical installations and machines, equipment and furniture	Tangible assets in process	Advance payments tangible assets	TOTAL
Initial balance	**49.221.409**	**80.495.662**	**32.448.050**	**6.893.305**	**10.572.385**	**179.630.811**
Entries	19.673.933	1.855.561	952.535	23.696.104	9.413.186	**36.764.946**
Outputs	0	0	-784.090	-21.809.457	0	**-22.593.547**
Final balance	**68.895.342**	**82.351.223**	**32.616.495**	**8.779.952**	**1.159.199**	**193.802.210**

➢ The influence of damping and provisions over the gross value of tangible assets yea 2018:

- lei .

31 December 2018	Lands	Constructions	Technical installations and machines, equipment and furniture	Tangible assets in process	Advance payments tangible assets	TOTAL
Value adjustments representing damping and depreciation	**0**	**0**	**26.007.255**	**0**	**0**	**26.007.255**
Value adjustments related to fixed asset output	0	3.906.561	2.151.595	0	0	**6.058.157**
Reserve transfers from re-evaluation	0	0	-784.090	0	0	**-784.090**
Final balance	0	0				**0**
Value adjustments representing damping and depreciation	**0**	**3.906.561**	**27.374.761**	**0**	**0**	**31.281.322**
Gross value of fixed ass. on 31 December 2018	**68.895.342**	**78.444.461**	**5.241.734**	**8.779.952**	**1.159.199**	**162.520.888**

The structure of circulating assets:

- lei

CIRCULATING ASSETS	2017		2018	
Stocks	1.215.865	6%	1.230.328	4%

Receivables	7.120.432	35%	11.382.412	36%
Liquid assets and other similar	11.857.992	59%	18.992.103	60%
TOTAL CIRCULATING ASSETS	**20.194.289**	**100%**	**31.604.843**	**100%**

From the analysis of balance sheet items, there is an increase in circular assets compared to previous year due to higher stocks of materials and inventory items with a value of 1.230.328 lei, an increase in trade receivables with 4.261.980 lei and liquid assets increase with 60% (7.134.111 lei).

Commercial receivables have increased compared to 2018, given the cashing speed of debits – clients is of 32 days.

The liquidities found in the company's accounts have increased compared to 2017 as a result of the continuation pf policies regarding maintaining the development strategies and realized financial investments.

The realization of the proposed profit for 2018, has led to the increase of ownership equities and has contributed implicitly in assuring the company's development program's financing sources, in safety and stability conditions.

The subscribed capital in value of 49.614.945,60 lei has not suffered modifications during 2018.

Along the year it was constituted the legal reserve afferent to 2018 worth 108.263 lei, and the net unallocated profit afferent to 2017 worth 3.631.254 lei was allocated according to OGAS Decision no 1 from 20.04.2018 thus:

- The sum of 1.398.581 lei to other financing sources
- The sum of 2.232.673 lei for dividends

Other similar debts on long term include the performance bond afferent to realized investment and modernization works, their value being of 1.099.040lei, increased with 23.268 lei compared to the previous year.

The current debts are worth 21.414.572 lei compared to 9.590.551 lei registered the previous year, being influences by the increase of other debts.

The company does not register due debts, all obligations being paid on time. The commercial agreements have been honored in due time.

During 2018 S.C. Turism Felix S.A. has run its financial and investment activity by mainly using its own financing sources. In 2018 a line of credit was taken up (overdraft) worth 4.500.000 lei in order to temporary optimize cash flow. At the date of reporting the line of credit is not used.

The annual inventory has taken place in conformity with the legal stipulations regarding the organization and development of the patrimony inventory, the results being exploited 100%, the noticed differences being admitted in the financial statements without having a significant impact.

b) *the profit and loss account: net sales; gross incomes; elements of costs and expenses with a weight of at least 20% in net sales or gross incomes, risk provisions for various expenses; reference to any sale or shutdown of an operating segment performed in the last year or that are to be made in the next year; dividends declared and paid;*

THE SITUATION OF PROFIT OR LOSS AND OTHER ELEMENTS OF THE GLOBAL RESULT

- lei

	31.12.2017	31.12.2018
Incomes from services	38.535.056	50.936.025
Incomes from sale of goods	21.591.606	28.455.928
Other incomes	719.290	217.453
	60.845.952	79.609.406
Operating expenses	43.884.691	51.037.457
The cost of sold goods	7.185.362	9.248.288
Other expenses	5.802.153	8.264.640
	56.872.206	68.570.385
Operating earnings	**3.973.746**	**11.039.021**
Financial incomes	259.960	82.252
Financial expenses	19.762	96.540
Profit before tax	**4.213.945**	**11.024.732**
corporate tax	350.143	410.488
Expenses with deferred corporate tax	0	5.052
Income from deferred corporate tax	180.000	353.554
Gross profit afferent to the period	**3.683.802**	**10.255.638**
Other elements of the global earnings		
Increases/decreases of the revaluation surplus	0	0

Total Other elements of the global earnings	**0**	**0**
Total global earnings afferent to the period	**3,683,802**	**10.255.638**
Earnings per share		
Earnings per basic share	0,0074	0,0207
(expressed in lei per share)		

In 2018 the total incomes are 79.691.658 lei, with 30,42% (12.585.745 lei) higher than the incomes achieved in 2017 when they were worth 61.105.912 lei.

Compared to the income provided in B.V.C. in 2018 they are higher by 20,29% (13.441.657 lei) .

Operating incomes (representing 99% of total realized incomes) are 79.609.406 lei and is higher by 30,84% (18.753.453 lei) compared to 2017.

Compared to the provisions B.V.C. for 2018 they are higher by 20,26% that is with 13.409.406 lei .

Operating incomes compared to the same period last year were influenced mostly by:

- Increase of incomes resulting from accommodation with 8.260.067 lei, from 19.011.302 lei to 27.271.369 lei
- increase of incomes resulting from public food service with 6.458.754lei, from 21.968.815 lei to28.427.569 lei
- increase of incomes from treatment with 3.322.741 lei compared to the previous year, the realized value being 8.265.554 lei
- Increase of incomes from leisure activities with 989.881 lei, from 8.995.892 lei to 9.985.773 lei

The turnover has increased with 32,04% (19.265.291 lei) compared to the previous year, from 60.126.662 lei to 79.391.953 lei, being influenced by:

- the increase of the tourist-days with 35% respectively 91.068 tourist-days, following the facility to offer holiday tickets
- the improvement of the services' quality following the realized modernization works
- the diversification of the society's selling policies through direct contracts with Tour operators
- slight increase of the tariff with and average of 5% at society level

The financial incomes realized in 2018 are smaller with 177.709 lei compared to the previous year. The financial incomes realized in 2018 are of 82.252 lei, and in the previous year were worth 259.960 lei. The difference was influenced by the incomes from short term investments purchased along the year and reevaluated at a real value on 31.12.2018.

Compared to the incomes provisioned by B.V.C in 2018 these are higher with 32.252 lei.

Total registered expenses in 2018 are 68.666.925 lei, higher by 14,92% (8.916.925 lei) compared to the expenses registered the previous year when they were 56.891.968 lei. The difference resulted from the increase of operating expenses with 11.698.179 lei and the decrease of financial expenses with 76.778 lei.

Compared to the provisions of B.V.C for 2018 the total expenses are higher by 14,92%, that is with 8.916.925 lei.

a. Operating expenses from 2018 compared to 2016, are higher by 20,57% respectively 11.698.179 lei, their evolution in the structure being thus presented:

- the expenses with the goods have increases by 28,61% compared to the previous year (that is with 2.052.404 lei), from 7.174.873 lei in 2017 to 9.227.277 lei in 2018, in close correlation with the increase of incomes from public food service (29,40%);
- the expenses with raw materials, materials and consumables are by 6% smaller compared to the previous year (that is with 197,419 lei), from 3.288.282 lei in 2017 to 3.090.863 lei in 2018;
- increased expenses with inventory items by 116,59% compared to the previous year (that is with 1.479.090 lei) from 1.268.665 lei in 2017 to 2.747.755 lei in 2018 as a result of the equipment with inventory items mainly in the complexes Poienita and Mureș
- increase of spending on utilities by 5,01% compared to the previous year (that is with385.371 lei) from 7.687.307 lei in 2017 to 8.072.678 lei in 2018, effect of the increase of the purchasing price of utilities.
- expenses related to third parties are13,86% higher than the previous year (that is with 526.368 lei) from 3.798.482 lei achieved in 2017 to 4.324.849 lei in 2018.
- Increase by 138,41% compared to the previous year of the expenses with taxes, from 1.271.518 lei in 2017 to 3.031.383 lei in 2018, respectively with 1.759.865 lei, as a result of the impact of reevaluation on 31.12.2017 of the taxes for buildings.
- Increase by 18,20% of the expenses with the personnel compared to the previous year, from 26.124.400 lei in 2017 to 30.879.499 lei in 2018, respectively with 4.755.100 lei, as a result of legislative modifications regarding the evolution of the minimum wage and of the salary policies.
- Damping has decreased in comparison with 2017 with 264.404 lei the registered value on 31.12.2018 being 6.133.162 lei.

b. The registered financial expenses are higher than in the previous year, respectively an increase of 76.778 lei, from 13.762 lei in 2017 to 96.540 lei in 2018.

Compared to the stipulations of B.V.C. an over passing of 66.540 lei is registered, the earned value being 30.000 lei.

Compared to the gross earnings for 2017 of 4.213.945 lei, the company registers a positive difference of 6.810.788 lei, the gross realized earning in 2018 being 11.024.732 lei.

Compared with the gross earning provisioned in the B.V.C for 2018 of 6.500.000 lei, the society registers a gross earning of 11.024,732 lei, resulting a positive difference of 4.524.732 lei

The net earning realized in the financial year 2018 is of 10.255.637,92 lei, and the legal reserve assigned according to applicable regulations in force is of 108.262,87 lei, resulting a net profit of 10.147.375,05 lei that can be distributed.

c) cash flow: all changes in the level of cash within the basic activity, investments and financial activities, the level of cash at the beginning and end of the period;

As it results from the presented indicators, it can be concluded that the development and modernization program of the capacities that the company disposes of and which was sustained both from own sources and loans, have led to the increase of the value of liquidity indicators and solvency, exceeding the assuring level.

The cash and cash flow statement is as follows:

- lei

	2017	2018
Cash flow from the operational activity		
Net profit before tax and extraordinary elements	4.213.945	11.024.732
Operational profit before changes of working capital	9.424.752	17.236.012
Cash generated from operational activities	6.947.472	18.471.906
Cash-flow before extraordinary elements	3.997.971	15.697.496
Net cash resulted from operational activities	**4.591.755**	**15.697.496**
Cash-flow resulted from investment activities		
Net Cash-flow resulted from investment activities	**-4.772.796**	**-9.635.177**
Cash-flow resulted from financing activities		

Cash-flow resulted from financing activities	**-186.587**	**23.268**
Net increase / (decrease) of cash	**-961.411**	**6.085.586**
Cash and cash equivalent at the beginning of the period	**11.457.423**	**10.496.012**
Cash flow and cash equivalent at the end of the period	**10.496.012**	**16.581.598**

Nr. crt.	Indicatorul	U.M.	Perioada de analiză	
			2017	2018
1	The rate of current liquidity	-	2,65	1,72
2	The degree of indebtedness *	%	0	0
3	The degree of indebtedness **	%	0	0
4	The rotation speed of the clients' debits	zile	27	32
5	The rotation speed of the fixed assets	-	0,31	0,39
6	The rate of fast liquidity	-	2,48	1,65
7	Permanent financing rate	-	1,05	1,05
8	Patrimonial solvency	-	25,36	12,07
9	The rate of the capacity to reimburse on term	-	1,35	0,84
10	Rate of economical return	-	2,06	5,19
11	Rate of financial return	-	1,81	4,85

The rate of current liquidity is over-unity and reflects the possibility of the current patrimony items to transform in a short time in liquidities, in order to pay current debts. The rate of current liquidity is of 1,72 exceeding the assuring level of 1,00.

The rate of fast liquidity is of 1,65 reflecting a high capacity to easily transform assets in liquidities in order to cover currents debts.

The degree of indebtedness *

The degree of indebtedness **

Patrimonial solvency is of 12,07 exceeding a lot the assuring level expressing to what degree the patrimony units can face payment obligations, indicating the report of own sources in the total assets.

The rate of the capacity to reimburse on term is of 0,84(years) and reflects the period in which the company can reimburse the debts taken up on along term.

Financial return (net profit/ownership equity) is of 4,85% and measures the capacity of own equities to release, after financing financial expenses, of the corporate tax and other obligations towards shareholders and salaried, a distributable income.

Net cash used for investment activities was 9.637.124 lei used both for further work of renovation and modernization of hotel units as well as for the acquisition of corporal assets. A high level of cash used for investment offers prospects for growth of cash generated by operating activities, given that the renovation projects undertaken, lead to higher occupancy levels and rates.

The rate of the global financial autonomy is of 90,70%, what reflects the extent to which the company disposes of permanent financial resources compared to the total resources conferring a high degree of safety and stability in financing.

The rotation of debts and current receivables are correspondingly offset between them and registers decreased values, respectively the duration to cash in from the clients is of 32 days and the payment duration of suppliers is of 30 days.

In what concerns the obligations to pay, the company does not have debits to pay, the owed sums fitting into the deadlines stipulated in the contracts. The company does not have on the 31.12.2018 debs owed compared to the consolidated budget.

In the economic context of 2018, whose beneficial effects were also felt by the company in its activity field, the main accomplishments are:

- the realization of a gross profit of 11.024.732 lei
- the realization of an investing volume of 3.576.323 lei and of a reparation and maintenance program of 995.474 lei
- attraction and loyalty of tourists
- profitability of receiving structures
- consolidation of the leader position on the balneary tourism market

The amount of the proposed gross dividend to be given to shareholders is 0,0093 lei / share, which corresponds to a net dividend per share of 0,0088 lei per share at a tax rate of 5% and the total gross dividend is of 4.614.198,94 lei.

President of themanaging Board,

Fercală Mihai

Appendix 1

The provisions of the New Corporate Governance Code of the Bucharest Stock Exchange	Stage of compliance YES	Stage of compliance NO	Observations
SECTION A – RESPONSIBILITIES			
A.1. All the companies must have an Internal Board Regulation that includes the reference terms/ the responsibilities of the Board and the company's key management positions and that applies, among others, the General principles in Section A..	Partially		In the Article of Incorporation, in the Rules of Organization and Functioning of the Company and in the Corporate Governance Regulation, rules of organization, functioning and competences of the Board of Directors are established to be approved and published.
A.2. Provisions for managing conflicts of interest should be included in the Council Regulation. In any case, Council members must notify the Council of any conflicts of interest that have arisen or may arise and refrain from attending the discussion (including through non-attendance, unless failure to attend would hamper the formation of the quorum) and from the vote for the adoption of a ruling on the issue giving rise to the conflict of concerned interest.	Partially		In the Corporate Governance Rules, there are rules on the conflict of interests of the members of the Board of Directors. The regulation is to be approved and published on the company's website.
A.3. The Board of Directors must be composed of at least five members.		NO	The requirement will be implemented in the next period.
A.4. Most members of the Board of Directors should not have executive functions. In the case of Premium Category companies, no less than two non-executive members of the Board of Directors must be independent. Each independent member of the Board of Directors shall make a declaration at the time of his nomination for election or re-election, and when any change of his status occurs, indicating the elements on the basis of which he is deemed to be independent in character and his judgment.	YES		
A.5. Other commitments and professional obligations of a relatively permanent member of the Council, including executives and non-executive on the Board of companies and non-profit institutions, shareholders and potential investors should be disclosed before and during his tenure nomination.	YES		
A.6. Any member of the Council must provide information on any relation to a shareholder who directly or indirectly hold shares representing more than 5% of all voting rights. This obligation refers to any report that may affect the member's position on matters decided by the Council.	YES		
A.7. The company must appoint a Secretary of the Board that shall have the responsibility to support the activity of the Board..	YES		

A.8. The statement on the corporate governance will state whether an evaluation of the Board took place under the management of the Chairman or of the appointment committee and, if yes, it will summarize the key actions and the changes arising out of it. The company must have a policy/ a guide on the evaluation of the Board, including the purpose, the criteria and the frequency of the evaluation process.		NO	The requirement will be implemented in the next period.
A.9. The statement on the corporate governance must include information on the number of meetings of the Board and of the committees within the past year, on the attendance of the managers (personally and in their absence) and a report of the Board and of the committees on their activities.		NO	The requirement will be implemented in the next period.
The provisions of the New Corporate Governance Code of the Bucharest Stock Exchange	**Stage of compliance YES**	**Stage of compliance NO**	**Observations**
A.10. The statement on corporate governance must include information on the exact number of independent members of the Board of Administrators.	YES		
A.11. The Board of Administrators of the companies in the Premium category must establish an appointment committee formed of non-executive members, that will perform the procedure for the appointment of new members of the Board and will make recommendations to the Board. Most of the members of the appointment committee must be independent.		NO	The company is admitted to the Standard category.
SECTION B – THE RISK MANAGEMENT SYSTEM AND THE INTERNAL CONTROL			
B.1. The Council should set up an audit committee in which at least one member is non-executive. In the case of premium-class companies, the audit committee must be composed of at least three members and the majority of the members of the audit committee must be independent.	YES		
B.2. The Board must establish an Audit Committee where at least one member must be an independent non-executive manager.	YES		
B.3. Within its responsibilities, the audit committee must carry out an annual assessment of the internal control system.		NO	The requirement will be implemented in the next period.
B.4. The evaluation must consider the effectiveness and the inclusion of the internal audit function, the degree of adequacy of the risk management and internal control reports submitted to the audit committee of the Board, the promptitude and the effectiveness that the executive management uses to settle deficiencies or weaknesses identified following the internal control and the submission of relevant reports for the attention of the Board.		NO	The requirement will be implemented in the next period.
B.5. The Audit Committee must evaluate the conflicts of interests related to the company's transactions and the transactions of its branches with affiliated parties.		NO	The requirement will be implemented in the next period.
B.6. The Audit Committee must evaluate the effectiveness of the internal control system and of the risk management system.		NO	The requirement will be implemented in the next period.
B.7. The Audit Committee must monitor the application of the generally accepted legal standards and of the internal audit	YES		

standards. the Audit Committee should receive and evaluate internal audit team reports.			
B.8. Whenever the Code mentions any reports or analyses initiated by the Audit Committee, these must be followed by regular reports (at least on an annual basis) or ad-hoc reports that must be subsequently submitted to the Board.		NO	The requirement will be implemented in the next period.
B.9. None of the shareholders will benefit from any preferential treatment compared to other shareholders in relation to any transactions and agreements concluded by the company and their affiliates.	YES		
B.10. The Council must adopt a policy to ensure that any company transaction with any of the companies with which it has close relationships with a value equal to or greater than 5% of the company's net assets (according to the latest financial report) is approved by the Council following a binding opinion of the Council's audit committee and properly disclosed to shareholders and potential investors, to the extent that such transactions fall within the category of events subject to reporting requirements.		NU	The requirement will be implemented in the next period.
The provisions of the New Corporate Governance Code of the Bucharest Stock Exchange	**Stage of compliance YES**	**Stage of compliance NO**	**Observations**
B.11. The internal audits should be performed by a separate structural division (internal audit department) within the company or by hiring an independent third party.	YES		
B.12. In order to ensure the main functions of the internal audit department, it must report functionally to the Council via the audit committee. For administrative purposes and within the management's responsibility to monitor and reduce risks, it must report directly to the Chief executive officer.	YES		
SECTION C – THE FAIR COMPENSATION AND MOTIVATION			
C.1. The company must post on its webpage its remuneration policy and must include in its annual report a statement on the implementation of the remuneration policy during the annual period subject to analysis. The remuneration policy must be formulated so as to allow the shareholders to understand the principles and arguments underlying the remuneration of the members of the Board and of the General Manager. Any major changes occurred in the remuneration policy must be posted in due time on the company's webpage..		NO	The Remuneration Policy for the Board of Administrators and the Managing Director is the one stipulated in the Management Agreement.
SECTION D – ADDING VALUE THROUGH THE RELATION WITH THE INVESTORS			
D.1. The company must organize a department for the Relations with the Investors — indicating to the public the responsible person/ persons or the organizational unit. Besides the information required by the legal provisions, the company must also include on its webpage a section dedicated to the Relations with the investors, both in Romanian and English, with all the relevant information that is of interest for the investors, including:		Partially	At the company level, there is a legal department that manages the relationship with shareholders.
D.1.1. The main corporate regulations: the articles of incorporation, the procedures related to the general meetings of the shareholders;	YES		

D.1.2. The professional resumes of the members of the company's management bodies, other professional commitments of the members of the Board, including executive and non-executive positions held within management boards of companies or of non-profit institutions;		NO	The requirement will be implemented in the next period.
D.1.3 Current reports and periodic reports (quarterly, semester and annual) – at least those under D.8 - including current reports with detailed information on non-compliance with this Code.	YES		
D.1.4. Information on general shareholders meetings: agenda and informative materials.	YES		
D.1.6. The name and contact details of a person who will be able to provide relevant information upon request.	YES		
D.1.7. The company's presentations (e.g. presentations for investors, presentations of the quarterly results, etc.), the financial statements (quarterly, half-yearly, annual financial statements), the audit reports and the annual reports.	Partially		The Company does not present information for the investors resuming to minimum requirements.
D.2. The company will have a policy on the annual distribution of dividends or of other benefits to the shareholders. The principles of the annual policy for the distribution of dividends to the shareholders will be posted on the company's webpage.		NO	There is no policy on the payment of dividends.
The provisions of the New Corporate Governance Code of the Bucharest Stock Exchange	**Stage of compliance YES**	**Stage of compliance NO**	**Observations**
D.3. The company will adopt a policy in relation to forecasts, regardless of whether they are made public or not. The forecast policy will determine the frequency, timing and content of the forecasts. If published, forecasts can only be included in the annual, half-yearly or quarterly reports. The policy on the forecasts will be posted on the company's webpage.		NO	There is no forecast policy, the requirement is to be implemented in the next period.
D.4. The rules of the general meetings of the shareholders must not restrict the participation of the shareholders in the general meetings and the exercise of their rights. The changes of the rules will become effective no sooner than the following meeting of the shareholders.	YES		
D.5. The external auditors will be present at the general meeting of the shareholders when their reports are presented within these meetings.	YES		
D.6. The Board will submit to the annual general meeting of the shareholders a short assessment of the internal control systems and of the major risks management systems, as well as opinions on some issues subject to the decision of the general meeting.	YES		
D.7. Any specialist, consultant, expert or financial analyst may attend the meeting of the shareholders based on a prior invitation from the Board. Accredited journalists may also take part in the general meeting of the shareholders, except for the case when the Chairman of the Board decides otherwise.	YES		
D.8. The quarterly and half-yearly financial reports will include information both in Romanian and in English on the key factors that influence the changes in sales, operational profit, net profit and in other relevant	YES		

financial indicators, both from one quarter to another, and from one year to another.			
D.9. A company will hold at least two meetings / teleconferences with analysts and investors each year. The information presented on these occasions will be published in the Investor Relations section of the company's website at the date of the meetings / teleconferences.		NO	The requirement will be implemented in the next period.
D.10. In case a society supports different forms of artistic and cultural expression, sporting, educational or scientific activities and considers that their impact on the innovation and competitiveness of society is part of its mission in development and strategy, it will publish a policy on the activity in this area.	Partially		The company supports artistic, sporting activities, etc. but they are not published on the company's website, and a policy will be implemented in this aspect

Chief executive officer,
ec. Serac Florian

STATEMENT OF FINANCIAL POSITION

On the 31.12.2018

- lei

	Note	31.dec.17	31.dec.18
Assets			
Non-current assets			
Tangible assets	1	153.623.556	162.520.888
Intangible assets	2	38.303	25.570
Real estate investments	3	397.530	358.070
Financial assets	4	39.820.673	39.820.673
Receivables with deferred profit tax	22	5.052	0
Total non-current assets		**193.885.114**	**202.725.201**
Current assets			
Inventories	5	1.215.865	1.230.328
Trade receivables	6	5.840.349	8.056.701
Other receivables	7	1.139.886	3.310.451
Current profit tax receivables	22	140.197	15.260
Short-term investments	8	1.361.980	2.410.505
Cash and equivalent in cash	8	10.496.012	16.581.598
Total current assets		**20.194.289**	**31.604.843**
Total assets		**214.079.403**	**234.330.044**
Equity and payables			
Equity			
Share capital	9	49.614.946	49.614.946
Retained earnings	10	1.260.131	1.260.131
Reserves	11	148.906.751	150.413.595
Current earnings	12	3.683.802	10.255.638

Profit attribution	12	-52.548	-108.263
Total equity		**203.413.081**	**211.436.047**
Noncurrent payables			
Long-term provisions	14	0	380.386
Other medium and long-term payables	15	1.075.772	1.099.040
Total noncurrent payables		**1.075.772**	**1.479.426**

- lei

	Nota	**31.dec.17**	**31.dec.18**
Current payables			
Trade payables	16	3.642.953	13.787.700
Current taxes	17	850.793	1.264.186
Payables with specific taxes	22	173.554	170.777
Other payables	18	4.923.250	6.191.909
Total current payables		**9.590.550**	**21.414.572**
Total payables		**10.666.322**	**22.893.997**
Total liabilities		**214.079.403**	**234.330.044**

GENERAL MANAGER,	CHIEF ACCOUNTANT,
ec. Serac Florian	ec. Popa Marcel

PROFIT OR LOSS STATEMENT

AND OTHER ELEMENTS OF THE COMPREHENSIVE INCOME

On 31.12.2018

- *lei*

	Note	31.12.2017	31.12.2018
Incomes from service delivery	19	38.535.056	50.936.025
Incomes from selling of goods	19	21.591.606	28.455.928
Other incomes	19	719.290	217.453
		60.845.952	79.609.406
Operational expenditures	20	43.884.691	51.037.457
Cost of sold goods	20	7.185.362	9.248.288
Other expenditures	20	5.802.153	8.284.640
		56.872.206	68.570.385
Operational profit		**3.973.746**	**11.039.021**
Financial incomes	21	259.960	82.252
Financial expenditures	21	19.762	96.540
Profit before tax		**4.213.945**	**11.024.732**
Income tax	22	350.143	410.488
Deferred profit tax expenditures	22	0	5.052
Deferred profit tax income	22	180.000	353.554
Net profit for the period		**3.683.802**	**10.255.638**
Other elements of the comprehensive income			
Increase/decrease of the re-evaluation surplus		0	0

Total of other elements of the comprehensive income		**0**	**0**
Total comprehensive income for the period		**3.683.802**	**10.255.638**
Profit per share			
Profit per basic share	23	0,0074	0,0207
(expressed in lei per share)			

GENERAL MANAGER, **CHIEF ACCOUNTANT**

ec. Serac Florian **ec. Popa Marcel**

Statement of changes in equity

on31.12.2018

- lei

Element designation	Share capital	Other share capital elements	Reserves from re-evaluation	Other reserves	Retained earnings	Current profit
Balance on 01 January 2018	**49.614.946**	**78.940.195**	**69.966.555**	**1.260.131**	**3.631.254**	**203.413.081**
Profit or loss	**0**	**-1.602.424**	**3.109.268**	**2.232.673**	**6.516.121**	**10.255.638**
- retained earnings transfer				3.631.254	-3.631.254	0
- realised re-evaluation surplus		-1.602.424	1.602.424		0	0
- result of the current financial year			108.263		10.147.375	10.255.638
- retained earnings attribution – other reserves			1.398.581	-1.398.581	0	0
- revaluation reserves		0				0
Other comprehensive income elements	**0**	**0**	**0**	**0**	**0**	**0**
- other comprehensive income elements	0	0	0	0	0	0
Transactions with owners	**0**	**0**	**0**	**-2.232.673**	**0**	**-2.232.673**
- awarded dividends	0	0	0	-2.232.673	0	-2.232.673
Balance on31 December 2018	**49.614.946**	**77.337.772**	**73.075.823**	**1.260.131**	**10.147.375**	**211.436.047**

GENERAL MANAGER, **CHIEF ACCOUNTANT,**

ec. Serac Florian **ec. Popa Marcel**

CASH-FLOW STATEMENT

On 31.12.2018

- lei

		2017	2018
	Operational activity cash-flow		
	Net profit before tax and extraordinary elements	**4.213.945**	**11.024.732**
	Adjustments concerning calculated incomes and expenditures (non-monetary), for:		
(+)	- Adjustments with depreciation of (in)tangible assets (depreciations and provisions)	6.377.566	6.113.162
(+)	- Adjustments with depreciation of risks and expenditures (provisions)	-218.621	329.318
	- Other non-monetary incomes	-654.948	-215.506
	- Other non-monetary expenditures	0	51.068
(+)	- Deferred tax expenditures	0	5.052
(-)	- Deferred tax incomes	0	0
(+)	- Expend. and incomes arising from conversion and evaluation of exchange rate differences	-31.928	-10.223
	Adjustments of incomes and expenditures not related to operational activities, for:		
(-)	- Financial incomes (interests , exchange rate diff. and dividends)	-271.750	-82.252
	- Financial expenditures (interests and exchange rate diff.)	19.761	22.607
	- Other financial expenditures	0	0
(-)	- Expenditures (calculated) and incomes arising from selling of assets	-9.274	-1.947
(-)	- Incomes (calculated) from investments grants	0	0
(-)	- Incomes and expenditures not related to operational activities	0	0
	Operational profit before changes of working capital	**9.424.752**	**17.236.012**
(-)	- Decrease / (Increase) inventories variation	459.031	14.463
(-)	- Decrease / (Increase) variation of trade receivables, expend. in advance	-3.354.813	-4.514.129
(+)	- Decrease / Increase (variation) of payables to suppliers and incomes in advance	1.744.359	11.954.011
(-)	- Decrease / Increase (variation) of short term financial investments	-1.325.857	-1.048.525
	Cash generated from operational activities	**6.947.472**	**18.471.906**
(-)	- Paid interests	0	0

(-)	- Paid dividends	-2.802.465	-2.192.173
(+)	- Receipts from interests	11.396	9.516
(+)	- Receipts from dividends	29.933	39.906
	- Financial expenditures (exchange rate differences)	-19.762	-22.607
	- Financial incomes (exchange rate differences)	11.396	32.829
(-)	- Paid income tax	-180.000	-641.882
	Cash-flow before extraordinary elements	**3.997.971**	**15.697.496**
(+)	- Receipts from extraordinary operations	0	0
(-)	- Payments concerning extraordinary operations	0	0
	Net cash resulted from operational activities	**4.591.755**	**15.697.496**
	Cash-flow resulted from investment activities		
(-)	- Shares purchase payments	0	0
(-)	- Assets purchase payments	-4.824.370	-9.637.124
(+)	- Incomes from assets assignment	51.574	1.947
(+)	- Receipts from interests	0	0
(+)	- Receipts from dividends	0	0
	Net cash-flow resulted from investment activities	**-4.772.796**	**-9.635.177**

- lei

		2017	**2018**
	Cash-flow resulted from financing activities		
(+)	- Receipts from loans	0	0
(-)	- Payments concerning the reimbursement of loans	0	0
(+)	- Variation of debts related to financing operations	-186.587	23.268
	Cash-flow resulted from financing activities	**-186.587**	**23.268**
	Net increase / (decrease) of cash flow and cash equivalent	**-961.411**	**6.085.586**

(+)	- Expenditures arising from conversion and evaluation of exchange rate differences	0	0
(-)	- Incomes arising from conversion and evaluation of exchange rate differences	0	0
	Cash flow and cash equivalent at the beginning of the period	**11.457.423**	**10.496.012**
	Cash flow and cash equivalent at the end of the period	**10.496.012**	**16.581.598**

GENERAL MANAGER,	**CHIEF ACCOUNTANT,**
ec. Serac Florian	**ec. Popa Marcel**

POLICIES AND PRESENTATION NOTES
PERTAINING TO INDIVIDUAL FINANCIAL STATEMENTS
On the 31st December 2018

A. OVERVIEW

Reporting entity

The individual financial statements are presented by S.C. TURISM FELIX S.A., with headquarters in Băile Felix, Sânmartin community, Bihor county. The company performs its activity in Romania and is not included on other geographical markets.

S.C. Turism Felix S.A. is registered with the Trade Register Office under number J05/132/1991, with unique taxpayer reference no. RO 108526.

The company operates as a joint-stock company according to Law no. 31/1990 republished, with further modifications and additions, having as activity balneotherapy, public food service and recreation, internal and international tourism, exploitation and distribution of termomineral water sources. The object of activity is provided in art. 5 from the Articles of Incorporation of the company and according to the NACE classification, the main activity is HOTELS AND SIMILAR ACCOMMODATION – Nace code 5510.

S.C. TURISM FELIX S.A. was initially founded on 15.10.1990 on the structure of the former Hotel and Restaurant Compound (HRC), also operating as joint-stock company according to Law 31/1990 republished and Government order no. 1041/1990, with unlimited duration.

It is a public limited company according to the terms provided in Law 297/2004 regarding the capital market and is registered at the National Council of Real Estate according to the real estate registration certificate no. 3191/04.12.2006.

From 1997 and during 2006, the company shares have been registered and have transacted on the RASDAQ stock market, with the symbol “TUFE”. The record of shareholders has been kept from 2009 by the Central Depository (former REGISCO) according to contract no. 7778/01.03.2007. On 19.02.2007, the company has been approved for transactions on the regulated market managed by the .S.C. Bursa de Valori București S.A.

The group from which the Company is part of as related party is S.I.F. TRANSILVANIA S.A. The head office of S.I.F. TRANSILVANIA S.A. is: Brașov, Nicolae Iorga str. no. 2, Brașov county. The financial statements of SIF Transilvania SA can be acquired from its head office.

Definition of activity

The object of activity of S.C. TURISM FELIX S.A. is provided in art. 5 from the Articles of Incorporation of the company. According to the NACE classification, its main activity is Hotels and other accommodation, NACE code 5510, including balneotherapy, accommodation, public food service and recreation, internal and international tourism, exploitation and distribution of termomineral water resources and their distribution based on the license of the right to exploit thermal spring waters on a period of 20 years with the possibility of extending on consecutive periods of 5 years. The exploitation area of the termomineral water resources and provisions includes the entire Felix and Băile 1 Mai area. S.C. TURISM FELIX S.A. is solely responsible for the exploitation activities of the termomineral water provisions and it can lease the right to exploit to other entities based on the delivery contracts concluded with them as long as their activities do not influence their own exploitation activities.

Services

During the performance of its basic activity, balneary tourism, S.C. TURISM FELIX S.A. offers service packages generally formed of balneotherapy, accommodation and meals. The services packages offered are different in terms of the target public whom they are addressed.

The basic **treatment** remains the classical balneotherapy, balneo-physical therapy and medical recovery, but in the same time prophylaxis and wellness/recreation programs are more and more popular. In order to ensure medical services, S.C. TURISM FELIX S.A. has five treatment units (Internaţional, Termal, Poieniţa, Mureş and Unirea).

The treatment services are custom and are in terms of the health affections/troubles of each tourist. The balneophysical treatment and medical recovery include medical visits (one each week) and the prescribing of a number of 2-4 therapy procedures each day are performed by consultants.

The treatment procedures include hydrotherapy, kinetotherapy, elongations, electrotherapy, aerosol inhalations, thermotherapy, aromatherapy, mesotherapy, etc., according to the doctor's reccomendation. Similarly, at least a medical visit is included in the prophilaxis and wellness packages and procedures such as hydrotherapy and kinetotherapy are performed under medical surveillance.

In addition to the medical service package, there are clinical investigation offices (laboratory, ultrasound, radiogram).

In addition to the medical and recreation services, there are **the wellness centre services** from the tourism compounds Internaţional, Termal and Apollo, where clients can take relaxing aromatherapy baths, jacuzzi, massage, sauna, solar bathing, saline and which dispose of fitness rooms. The wellness centre from Internaţional has in addition an indoor pool with thermal water, with water beds and several hydromassage units.

The accommodation services are insured by the 7 hotels, in single, double, triple rooms or apartments – in total approx. 2.394 spaces.

The food services are offered in seven Ist class restaurants (Internaţional,Termal, Nufărul, Poieniţa, Mureş, Someş, Unirea), each having 1-3 parlours and roof-tops built for this purpose. In addition to them, there is the Poiana compound where a club with a capacity of 300 seats has been built, therefore there are approximately 2.892 spaces to serve meals.

In the food services department there are also the bars from the hotels, Dark Club, the Summer Garden, the pastry shops, the ice cream parlor, as well as the area for buffet and buffet-restaurant from the Apollo-Felix Compound.

The recreation services, the most requested throughout the year, are the services offered by the recreation Compound Apollo, which include the indoor or outdoor thermal water pools, gaming areas and the wellness centre. Between May and September, in addition there are the services within the Felix swimming place – thermal water pools and swimming pools (with cold water), children's pool, mini aquapark (water slide with five tracks), beach volley and mini-fotbal courts and the Venus swimming place from Băile 1 Mai unit became operational in 2010.

Other touristic services offered are:

- fee-based valorification of their own touristic services through S.C. Transilvania Travel & Hotels S.A. and other tour-operators, which also ensure touristic assistance and information, organizing festive nights, trips, etc.;
- transport with their own vehicles – tranfers to/from terminals, railway stations, bus stations, trips;
- renting halls for conferences and other similar events, making available the necessary equipment, etc.;
- touristic service packages for holidays or similar, such as: New Year's Eve, Christmas, Easte, 1st of May, 8th of March, Valentine's Day, etc.

Other activities

Complementary to its basic activity, S.C. Turism Felix S.A. also performs other activities, which are:

- renting areas and spaces for different commercial activities or service providing based on contracts concluded with third parties;

- termomineral water distribution to physical and legal people from Băile Felix, based on contracts;

- utility distribution (cold water, hot water, heating) to physical and legal people from Băile Felix, based on contracts, according to the prices approved by the National Regulation Authority for Public Utility Community Services or other authorities from the field.

B. ACCOUNTING PRINCIPLES AND POLICIES

1. Declaration of conformity

The financial statements have been concluded according to the International Financial Reporting Standards as adopted by the European Union. The first Individual Financial Statements of the company concluded according to the IFRS 1 requirements have been published in 2013 along with the financial statements in 31.12.2012. The date of transition to the International Financial Reporting Standards was 1st of January 2011, for which reason the Company presented complete financial statements on 31st of December 2011 and 31st of December 2012. The accounting records of the Company have been kept in lei, according to the Romanian Accounting Regulations (RAR). The accounts have been renegotiated to reflect the differences between accounts according to the Romanian Accounting Regulations ("RAR") and the ones according to the International Financial Reporting Standards adopted by the European Union ("IFRS"). Correspondingly, the accounts are adjusted according to RAR where necessary in order to pay the individual financial statements in all significant aspects with the International Financial Reporting Standards as adopted by the European Union ("IFRS").

The most important modifications brought to the first financial statements concluded according to the RAR in order to meet the requirements of the International Financial Reporting Standards as adopted by the European Union ("IFRS") are:

- reclassification of more elements in larger categories;

- adjustments of asset elements, debts and equities according to IAS 29 requirements – "Financial reporting in hyperinflationary economies" due to the fact that the Romanian economy had been an hyperinflationary economy until 31st of December 2003;

- fair value adjustments and adjustments for the depreciation of the financial asset value according to IAS 39 – “Financial instruments: recognition and evaluation”;

- real estate investment adjustments for their evaluation at fair value according to IAS 40 – “Real estate investments”;

- adjustments for the recognition of claims and debts regarding the deferred income tax (according to IAS 12 – “Corporate tax” and the presentation requirements according to the International Financial Reporting Standards adopted by the European Union (“IFRS”).

For the financial year 2018, the individual annual financial statements have been

concluded according to the Order of the Ministry of Public Finance no. 2844/2016 by applying the International Financial Reporting Standards “IFRS”, with further modifications and additions.

The annual accounting reports from 31.12.2018 are according to the reporting regulations regarding entities whose real estate is approved by transaction on a regulated market which applies the Accounting regulations according to the International Financial Reporting Standards provided in art. 1.1 from addendum 3 to the Order of the Ministry of Public Finance no. 10/2019 regarding the main aspects related to the elaboration and registration of annual financial statements and annual accounting reports of business operators to the territory divisions of the Ministry of Public Finance.

2. Presentation of financial statements

The individual financial statements are presented according to the requirements of IAS 1 – “Presentation of financial statements”. The company has adopted a presentation based on liquidity within the statement of financial position and a presentation of the income and expenses on positions within the global result statement, taking in consideration that these methods of presentation offer information which is credible and more relevant than the one which would have been presented based on other methods approved by IAS 1.

The individual financial statements concluded on 31.12.2018 include:

- Statement of financial position

- Profit or loss statement and other elements of the global result

- Equity modify statement

- Treasury flow statement

- Additional data regarding the individual financial statements given in the Explanatory Notes

3. Functional currency

The Company Board believes that the functional currency, as defined by IAS 21 – "The effects of the exchange rate variation" is the Romanian leu (RON), this is the currency of the main economic environment in which the company performs its activity and best reflects the economic impact of transactions and events on the entity. The individual financial statements are presented in lei, rounded to the closest leu, currency chosen by the Company as presentation currency.

4. Base for evaluation

The individual financial statements are concluded using the cost principle except for the financial instruments which are reevaluated at fair value. The fair value principle is applied with the exception of assets or debts for which the fair value has not been credibly set.

Evaluation of assets and debts has been performed as such:

- The stocks are evaluated at the lowest value between cost and net realizable value.
- Corporate immobilizations are initially evaluated
  - at purchase cost, for the ones purchased with onerous title;
  - at equity value, for the ones received as equity in kind to the elaboration/increase of share capital;
  - at fair value from the date of acquisition, for the ones received on a free basis.

For further recognition, the reevaluation pattern has been adopted within the company.

- The non-corporate immobilizations have been initially evaluated in terms of cost. After recognition, the non-corporate immobilizations are accounted based on the cost based model, meaning their cost minus any accumulated amortization and any loss from cumulated depreciations.
- The cash and cash equivalents are presented in the balance in terms of cost.
- The financial assets and debts are initially recognized at their fair value plus, in case of a financial asset or debt which is not at fair value by profit or loss, the costs of transaction which may be directly assigned to the purchase or issue.

After initial recognition, the financial assets are recognized at fair value through a reserve account (reserves from the fair value evaluation) within the equity without any decrease of transaction costs except for the loans and claims which are evaluated at amortized cost using the effective interest method.

After initial recognition, the financial debt is evaluated at amortized cost using the effective interest method.

Other financial assets and debt, as well as the non-financial assets and debt are presented at amortized cost, reevaluated value or historical cost.

5. Use of estimations and assessments

Preparing the individual financial statements according to the International Financial Reporting Standards as adopted by the European Union ("IFRS") implies that the board of directors will use estimations, assessments and assumptions which affect the application of accounting policies as well as the reported value of assets, debt, income and expenses. The assessments and assumptions related to these estimations are based on the historical experience as well as other factors considered reasonable in the context of these estimations. The results of these estimations form the base of assessments related to the accounting value of assets and debt which cannot be acquired from other information sources.

The estimations and assumptions on which they are based are revised periodically. The revisions of the accounting estimations are recognized in the period when the estimation is revised, if the revision affects only the respective period or in the period when the estimation is revised and the future periods if the revision affects the current period and the future periods.

In its nature, modifying the estimations is not related to the previous periods and does not represent error correction.

Except for the presentation method of the estimation modify effect from above; if such a modification creates other modifications of assets and debts or stocks, the modification effect will be presented by adjusting the assets, debts or equities during the modification.

6. Significant accounting policies

The accounting policies have been consistently applied on all the periods presented in the individual financial statements concluded by the Company. The individual financial statements are concluded based on the assumption that the Company will continue the activity in the predictable future. In order to evaluate the usability of this assumption, the board analyses the forecast regarding the future cash entries.

If a standard or interpretation is specifically applied to a transaction, to another event or condition, the accounting policies applied to that element are deemed chosen by applying the standard or respective interpretation taking in consideration any implementation guide issued by IASB for the respective standard or interpretation.

The accounting policies are consistently applied to transactions, events and other similar conditions, except when a standard or an interpretation requires or requires classification on categories, for which there can be applied policies different from the previous ones.

The significant errors of the previous periods discovered regarding the recognition, evaluation, presentation or description of the elements of the financial statements must be corrected in retrospective in the first set of statements which are authorized for issue by:

- renegotiation of comparison values of the previous period or periods in which the error has occurred; or
- renegotiation of initial balance of assets, debt and equities for the farthest period presented if the error has occurred before the farthest former period presented.

a) Conversion in foreign currency

Reference currency

The elements included in the individual financial statements are evaluated in the national

currency, the Romanian leu (RON), currency which reflects precisely the economic substance of the events of the Individual financial statements is presented in Romanian lei (RON), being the reference currency of S.C. TURISM FELIX S.A.

Transactions and balances

The operations in quotations are registered in accounting, in quotations, as well as in lei (RON).

The conversion of transactions from a foreign currency in Romanian lei (RON) is performed based on the exchange rate in effect on the date of the transactions.

The cash, claims and debt registered in another currency than the Romanian leu, which exist in the balance at the end of the financial year, are evaluated at the exchange rate reported by N.B.R. for the last banking day of the year.

The earnings and losses from the exchange differences from the clearing of transactions performed in other currencies and from the conversion of monetary assets and liabilities expressed in foreign currency are recognized in the profit and loss account within the financial result, except when they are registered, according to the law, in equities as insurance instruments against treasury flow risks.

The conversion differences pertaining to the debentures and to other monetary financial assets evaluated at fair value are included in the earnings or losses from the exchange rate differences. The conversion differences pertaining to the non-monetary elements, as well as shareholding titles, are reported as such:

a) As part of the earning or loss from the adjustment at fair value, for shareholding titles owned for transaction;

b) Included in the reevaluation reserve from the equities, for shareholding titles available for sale.

The exchange rates of the main foreign currencies were (lei):

- *lei*

currency	31 December 2018	31 December 2017
Euro (EUR)	4,6639	4,6597
American dollar (USD)	4,0736	3,8915

b) Branches and related entities

The branches are entities under the control of the Company, the control is when the Company has the power to directly or indirectly lead the financial and operational policies of a entity to acquire benefits from its activity.

During control evaluation, the potential or convertible voting rights exercisable at the time are taken in consideration.

The related entities are those companies in which the company can exercise a significant influence, but not control over the financial and operational policies.

The company has classified in these individual financial statements the shareholdings in related entities as financial assets evaluated at fair value with the losses and earnings recognized in the profit or loss account according to IAS 39.

In order to meet the informational needs of the users, S.C. Turism Felix S.A. is included in the secured Financial Statements of the parent company S.I.F. Transilvania S.A.

The list of related entities is found in note 4.

c) Account of hyperinflation effect

According to IAS 29 – “Financial reporting in hyperinflationary economies”, the financial statements of a entity whose functional currency is the currency of a hyperinflationary economy must be presented in the current measure unit on the date of the conclusion of the balance (the non-monetary elements are renegotiated using a general index of prices from the acquisition or contribution date). According to IAS 29 – “Financial reporting in hyperinflationary economies”, an economy is deemed hyperinflationary if, besides other factors, the accumulated inflation rate for a period of three years exceeds 100%.

The continuous decrease of the inflation rate and other factors related to the features of the economic environment from Romania indicate the fact that the economy whose functional currency has been adopted by the Company is no longer hyperinflationary affecting the financial periods starting from 1st of January 2004. Therefore, the provisions of IAS 29 have been adopted in concluding the individual financial statements until 31st of December 2003.

Therefore, the values expressed in the current measure unit on 31st of December 2003 are considered the base for the accounting values reported in the individual financial statements and do not represent evaluated values, replacement costs or any other measure of the current value of assets or prices to the transactions which may take place at this time.

In order to conclude the individual financial statements, the Company has adjusted the following non-monetary elements to be expressed in the current measure unit on 31st of December 2003:

- share capital
- other reserves

The corporate and non-corporate immobilizations are presented at fair value as cost assumed at reevaluated value on 31st of December 2018.

d) Cash and cash equivalents

The cash and cash equivalents are presented in the balance in terms of cost. In order to conclude the cash flow statements, the cash and cash equivalents include the house, the bank accounts, including the deposits with expiration in 3 months or less, cash in transit, other short-term financial investments with a high level of liquidity with expiration in three months or less and the overdraft facilities. In the accounting balance, the overdraft facilities are recognized as current debt within loans.

e) Assets and financial debt

Classification

The company classifies the financial instruments owned in the following categories:

1. Assets or financial debt evaluated at fair value through the profit and loss account

The short-term claims represent assets of the company resulted following transactions with legal or physical people, relations from which the Company has delivered goods, has performed a service or work and for which it has to receive a value equivalent or a counterperformance on a period up to one year.

According to the International Accounting Standard IAS 39 – "Financial instruments: Recognition and evaluation", the claims of the company represent the financial assets created by the Company by providing goods or performing services directly to a debtor, other than the ones initiated with the intention to be sold immediately or on short term, which must be classified as retained for transactions.

The short-term debt comes from transactions with physical or legal people (purchase of goods, works or services, use of work force, payment of contributions and taxes etc.), in which the company has to make a payment or counterperformance in a period up to one year.

The International Accounting Standard IAS 1 – "Presentation of Financial Statements" classifies a debt as current debt when: (1) it has to be paid in the normal course of the exploitation cycle; or (2) is contingent in 12 months after the date of the balance. The commercial debts must be classified as current, regardless of their expiration.

The claims and commercial debt are presented according to IAS 1 in the structure of the balance. It is stated that the assets and financial debt must be presented separately. They must be recognized only when the company enters a contract and, in conclusion, has the legal right to receive cash or, respectively, has the legal obligation to pay.

This category includes financial assets or debts owned for transaction and financial instruments classified at fair value through the profit and loss account at the moment of the initial recognition. An asset or a financial debt is classified in this category if it has been purchased mainly for speculation or if it has been appointed to this category by the Company board.

2. Investments owned until expiration

The investments owned until expiration represent those non-derived financial assets with fixed or determinable payments and fixed expiration, which the Company has the firm intention and the capacity to keep until expiration. The investments owned until expiration are measured at amortized cost through the effective debt method minus losses from depreciation.

3. Credits and claims

The credits and claims are non-derived financial assets with fixed or determinable payments which are not quoted on an active market, other than the ones which the Company intends to sell immediately or in the near future.

4. Financial assets available for sale

The financial assets available for sale are those financial assets which are not classified as credits and claims, investments owned until expiration, or financial assets at fair value through the profit and loss account.

Following the initial recognition, the financial assets available for sale for which there exists an active market are measured at fair value and the fair value modifications, other than the depreciation losses, as well as the earnings and losses resulted from the exchange rate variation pertaining to the monetary elements available for sale, are directly recognized in the equities.

When the asset is derecognized, the earning or accumulated loss is transferred in the profit and loss account.

Recognition

The assets and debts are recognized on the date of the clearing, respectively the date on which the respective instrument is delivered to the Company or by the Company.

The assets and financial debt are measured at the moment of the initial recognition at fair value plus the directly appointed transaction costs, except for the investments in shares whose fair value could not be credibly determined and are initially recognized in terms of cost.

Evaluation at amortized cost

The amortized cost of an asset or financial debt represents the value to which the asset or financial debt is measured by initial recognition, except the principal payments, to which the amortization accumulated until the respective moment is added or from which it is subtracted using the effective debt method, except the decreases pertaining to the depreciation losses.

Evaluation at fair value

The fair value is the amount to which an asset may be transacted or a debt may be cleared, between interested parties and in full knowledge, within a transaction performed in objective conditions at the date of evaluation.

The determination of fair value of assets and financial debt is based on the quotations on an active market. A financial instrument has an active market if for that instrument quoted prices are available immediately and regularly and these prices reflect market transactions made regularly in objective conditions.

The financial assets available for sale for which there is no active market and for which the credible determination of a fair value is not available are evaluated in terms of cost and are periodically tested for value depreciation.

For all the other financial instruments, the fair value is determined using evaluation techniques. The evaluation methods include techniques based on the net effective value, the updated cash flow method, the method of comparison with similar instruments for which there is a noticeable price and other evaluation methods.

Identification and evaluation of value depreciation

Financial assets measured at depreciated cost

On the date of each accounting balance, the company analyzes if there are objective signs that a financial asset or a group of financial assets is depreciated. A financial asset or a group of financial assets is depreciated if and only if there are objective signs regarding the depreciation occurred as result of one or many events taken place after the initial recognition of the asset (“loss producing event”), and the event or the events which produce losses have an impact on the future cash flows of the financial asset or the Company owns the financial assets which can be credibly estimated.

If there are objective signs that a loss occurred from the depreciation of the financial assets measured at amortized cost, then the loss is measured as difference between the accounting value of the asset and the updated value of the future cash flows using the effective interest rate of the financial asset at the initial moment.

If a financial asset measured at amortized cost has a variable interest rate, the update rate for the evaluation of any amortization loss is the current variable interest rate, specified in the contract. The accounting value of the asset is reduced by using a provisions account. The value depreciation expense is recognized in the profit and loss account.

If in the following period, an event which took place after the moment of the depreciation recognition determines the decrease of loss from depreciation, the loss from the depreciation previously recognized is restarted directly or by adjusting a provision account. The decrease of the loss from depreciation is recognized in the profit and loss account.

Financial assets available for sale

The company evaluates on the date of each balance if there is objective proof that a financial asset or a group of financial assets is depreciated. In the case of capital investments classified as available for sale, a significant or extended decrease of the fair value of the share below its cost is taken in consideration to determine if the assets are depreciated.

In case there is such proof for the financial assets available for sale, the accumulated loss – measured as difference between the purchase cost and the current fair value, minus any depreciation loss for that financial asset previously recognized in profit or loss is eliminated from other income of the global result and recognized in the profit account. The depreciation losses recognized in the profit and loss account and within the equity instruments are not dissolved from the profit and loss account.

In case in a following period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurred after the loss has been recognized in profit or loss, the depreciation loss is poured through the profit and loss account.

Given the inherent limitations of the applied methods and the significant uncertainty of the evaluation of assets on the local market, the assessments of the Company can be significantly revised after the date of the approval of financial statements.

Derecognition

The Company derecognizes a financial asset when the rights to receive cash flows from that financial asset expire or when the Company has transferred the rights to receive the contractual cash flows pertaining to that financial asset in a transaction in which it significantly transfers all the risks and benefits of the ownership right.

Any interest in the transferred financial assets retained by the Company or created for the Company is separately recognized as an asset or debt.

The company derecognizes a financial debt when the contractual obligations have been met or when the contractual obligations are cancelled or expire.

f) Real estate investments

Real estate investments are real property (lands, buildings or parts of a building) owned by the Company for lease or value growth or both, and not to be used in the manufacturing or provision of goods or services or for management purposes or to be sold during the normal performance of the activity.

Some real estate include a part which can be owned in order to be leased or with the purpose of value growth and another part to be owned in order to manufacture goods, service provision or for management.

If these parts can be sold separately (or rented separately based on a financial lease contract), then they are separately accounted. If the parts cannot be sold separately, the real estate is considered real estate investment only if the part used for manufacturing of goods, service provision or for management is insignificant.

Recognition

A real estate investment is recognized as asset if and only if:

- it is likely that a future economic benefit related to the element enters the entity;

- the cost of the asset can be credibly determined.

Evaluation

Initial evaluation

A real estate investment is initially evaluated in terms of cost, including the transaction costs. The cost of a purchased real estate investment is comprised of its purchase price plus any directly assigned expenses (for example, the professional fees for the legal service provision, the real estate transfer taxes and other transaction costs). The model based on cost is specified in IAS 16 – "Corporate immobilizations" and states that a real estate investment should be evaluated after the initial evaluation at depreciated cost, except any accumulated loss from depreciation.

The value of the real estate investments of the Company on 1st of January 2016, 31st of December 2017 and 31st of December 2018 is detailed in Note 3.

Further evaluation

The accounting policy of the Company regarding the further evaluation of real estate investments is the model based on cost applying the provisions of IAS 16 – "Corporate immobilizations". This policy is applied uniformly to all real estate investments. If they meet the conditions for classification for sale, they will be evaluated according to the provisions of IFRS 5 – "Real estate assets owned for sale and interrupted activities"

Transfers

The transfers to or from real estate investments are made when and only when there is modification in the use of the respective asset. In order to transfer a real estate investment evaluated at fair value to corporate immobilizations, the implicit cost of the asset for its further accounting will be its fair value from the date of the modification of use.

Depreciation

The same accounting policies also apply for corporate immobilizations.

Derecognition

The accounting value of a real estate investment is derecognized at transfer or when the investment is ultimately withdrawn from use and no future economic benefits are expected from its cease. The earnings or losses resulted from the cassation or sale of a real estate investment are recognized in the profit or loss account when this is invalidated or sold.

g) Corporate immobilizations

Recunoaștere și evaluare

Recognition and evaluation

Corporate immobilizations recognized as assets are initially evaluated in terms of cost by the Company. Corporate immobilizations are initially evaluated at purchase cost (for the ones purchased with onerous title), to input value (for the ones received in kind to the formation/increase of the share capital), respectively at fair value on the date of acquirement (for the ones received on a free basis).

The cost of a corporate immobilization element is formed of the purchase price, including irreclaimable taxes, after inference of any price decrease of commercial use and any cost which can be directly assigned to the bringing of the asset in the necessary location and condition in order to be used for the desired purpose of leading, such as: expenses with employees which directly result from the formation or acquisition of the asset, cost for site establishment, initial delivery and handling costs, installation and assembly costs, professional fees.

According to IFRS 1, if an entity uses the fair value as assumed cost for a corporate immobilization element, a real estate investment or a non-corporate immobilization in the opening statement of the financial position, the first financial statements of an entity concluded according to the International Financial Reporting Standards must present for each element from the opening statement of the financial position according to the International Financial Reporting Standards:

- the aggregated value of those fair values; and

- the aggregated adjustment of accounting values reported according to the accounting principles

The value of corporate immobilizations of the Company from 31st of December 2017 and

31st of December 2018 is detailed in Note 1.

For further recognition, the reevaluation model has been adopted within the company. The value of the reevaluated goods is its fair value on the date of reevaluation minus any further accumulated amortization and any loss accumulated from depreciation. Reevaluations must be made regularly so as the accounting value does not significantly differ from what would have been set by using the fair value at the date of the balance. Reevaluations are performed by ANEVAR certified independent evaluators. The reevaluated value (extra) is substituted to the purchase cost. The extra differences from reevaluation are reflected in accounting to other elements of the global result and accumulated in the equity with surplus title from reevaluation (except when the increase compensates a decrease from the previous reevaluation of the same asset previously recognized in profit or loss, in which case the increase is directly recognized in profit or loss).

The differences in minus from reevaluation are recognized in profit or loss (except when the increase compensates a previous decrease from reevaluation, accumulated in the equities as surplus from reevaluation, in which case the decrease is recognized in other elements of the global result, reducing the surplus from reevaluation).

The surplus from reevaluation included in the equities pertaining to a corporate immobilizations element is directly transferred in the reported result when the asset is derecognized. This implies the transfer of the entire surplus when the asset is withdrawn or assigned. The transfers from the reevaluation surplus in the reported result are not performed from profit or loss and are submitted if necessary to potential limitations for distribution to shareholders.

The amounts paid or to be paid, generated by the daily repairs and maintenance of corporate immobilizations owned are registered as company expenses according to the commitment accounting, correspondingly influencing the profit and loss account of the period.

The amounts paid or to be paid, generated by operations which lead to value and/or lifetime increase by modernizing the corporate immobilizations owned, respectively these operations which lead to a significant improvement of technical parameters, to a growth in the potential of generating some economic benefits from them, are capitalized (correspondingly increase the accounting value of the respective immobilization).

Amortization

The amortization expenses for each period are recognized in profit and loss if they are not included in the accounting value of another asset. The amortization is calculated at accounting value (the purchase cost or the reevaluated value), using the straight-line amortization method, during the estimated useful lifetime of the assets and is included monthly in the company expenses.

The amortization of an asset starts when it is available for use, meaning when it is in the location and necessary state to function in the manner desired by the board.

The amortization of an asset ceases earliest on the date when the asset is classified as owned for sale (or included in a group destined for assignment which is classified as owned for sale), according to IFRS – 5 “Long-term assets owned for sale” and on the date in which the asset is derecognized. Therefore, amortization ceases when the asset is not used or removed from use, except when it is completely amortized. Nevertheless, according to the amortization methods based on use, amortization expenses can be “zero” when there is no production.

Each part of a corporate immobilization element with a significant cost in comparison to the total cost of the element must be separately amortized. The residual value and useful lifetime of an asset must be revised at least at the end of every financial year.

If expectations differ from other previous estimations, the modification (modifications) must be accounted as modification of accounting estimation, according to IAS 8 – “Accounting policies, modifications of accounting estimations and errors”. Lands do not depreciate; the depreciation of other tangible goods is calculated using the straight line method, assigning costs pertaining to the residual value according to the pertaining lifetime.

The current lifetime pertaining to corporate immobilizations:

- Constructions 8-60 years
- Technical installations and machines 3-18 years
- Other installations, machines, furniture 3-18 years

Depreciation

An asset is depreciated when its accounting value exceeds it reclaimable value.

With each date of reporting, the entity must verify if there are signs of asset depreciation.

If such signs are identified, the entity must estimate the reclaimable value of the asset.

If the accounting value of an asset is reduced following a reevaluation, this decrease must be recognized as profit or loss. Nevertheless, the decrease must be recognized in other elements of the global result if the reevaluation surplus presents a credit balance for that asset. The decrease recognized in other elements of the global result reduces the amount accumulated in the equities with surplus title from reevaluation.

Derecognition

The accounting value of a corporate immobilization element must be derecognized:

- at transfer; or

- when no future economic benefit is expected from its use or assignment.

The earnings or loss which results from the derecognition of a corporate immobilization element must be included in the profit or loss when the element is derecognized. The earnings are not classified as income.

h) Non-corporate immobilizations

Recognition and evaluation

In order to recognize an asset as a non-corporate immobilization asset, the entity must demonstrate that the respective element meets the following:

a) definition of a non-corporate immobilization respectively:

- is separable, meaning it can be separated or divided by the entity and sold, transferred, authorized, leased or changed, individually or along with a contract, an asset or a correspondence debt; or

- it derives from contractual rights or of other legal nature, regardless if those rights are transferable or separable from the entity or from other rights and obligations.

b) recognition criteria, respectively:

- it is likely that the future economic anticipated benefits will be assigned for immobilization to return to the entity; and

- the cost of a immobilization can be reliably evaluated

A non-corporate immobilization must be initially evaluated in terms of cost.

The cost of a non-corporate immobilization separately owned is formed of:

a) its purchase price, including import customs duty and the non-refundable purchase taxes, after the subtraction of discounts and commercial deductions; and

b) any cost directly assigned to the preparing of the asset for the anticipated use.

For a non-corporate immobilization acquired on a free basis, or for a symbolic counterperformance, by means of a govern subvention, the entity initially recognizes the asset at nominal value plus any expenses, directly assignable to the preparing of the asset for desired use.

According to the general accepted regulations, non-corporate immobilizations cannot be acquired by asset exchange, they are considered separate deliveries.

Amortization

Expense pertaining to patents, trademarks and licenses is capitalized and amortized based on the straight-line method during their lifetime, which however cannot exceed 5 years.

The duration for the medium amortization of non-corporate immobilizations is of 3-5 years.

i) Stocks

Stocks are evaluated at the minimum value between cost and net effective value, according to IAS 2 – “Stocks”.

The cost of the stocks includes all the purchase costs, the conversion costs, as well as other costs borne in order to bring the stocks in the state and location where they are found. This is determined by the first inflow-first outflow method (FIFO).

The cost of the finished products and products in progress includes raw material, direct expenses with the workforce, other direct expenses and the appropriate overhead expenses (in terms of normal operational capacity), except the loan expenses. The net effective value represents the sale price estimated during the normal performance of the activity, except the finishing and sale expenses. The stock cost includes the transfers from equities of earnings/losses resulted from the insurance instruments against risks related to cash flows pertaining to stock purchase.

j) Depreciation of assets, other than financial

The accounting value of the Company assets which are not of financial nature, other than the assets of deferred income taxes, are revised each report in order to identify the existence of depreciation signs. If there are such signs, the reclaimable value of the respective assets is estimated.

A loss from depreciation is recognized when the accounting value of the asset or its unit generating cash exceeds the reclaimable value of the asset or the cash generating unit. A cash generating unit is the smallest identifiable group which generates cash and independently from other assets and assets groups has the capacity to generate cash flows. The losses from depreciation are recognized in the global result statement. The recoverable value of an asset or a cash flow generating unit is the maximum between the value of use and its fair value, except the costs for the sale of that asset or unit.

In order to determine the value of use, the future cash flows are updated using an update rate before taxing which reflects the current market conditions and the specific risks of the respective asset.

The losses from depreciation recognized in the previous periods are evaluated each report to determine if they have decreased and do not exist anymore. The loss from depreciation is restarted if a change has occurred in the estimations used to determine the recovering value. The loss from depreciation is restarted only when the accounting value of the asset does not exceed the accounting value which may have been calculated, net amortization and depreciation value, if the loss from depreciation might have not been recognized.

k) Dividends

Dividends pertaining to ordinary shares are recognized as debt by shareholders in financial statements in the period in which they are approved by the company shareholders.

The available profit for allocation is the profit of the year registered in the financial statements concluded according to the International Financial Reporting Standards.

l) *Provisions*

Provisions are uncertain debts in terms of time or value.

Provisions are recognized when the Company has a legal present obligation or an implicit obligation following certain past events and when it is likely that resource consumption is necessary to meet the obligation. Furthermore, a reliable estimation of the quantum of this obligation must be possible. If the Company expects a partial or full refund of expenses which are necessary for the clearing of a provision (ex: through insurance contracts), it is required:

a) to recognize a reimbursement only if it sure that it will be made if the company meets its obligations, and the sum recognized as reimbursement will not exceed the provision;

b) to recognize the sum reimbursed as a separate asset. In the global result statement, the expense pertaining to a provision can be presented after the recognized value of the reimbursement has been decreased.

The provisions are reanalyzed at the end of the reporting period and are adjusted so as to reflect the best current estimation. If the resource outflow which includes economic benefits is not possible anymore, the provision must be cancelled.

Provisions for costs which are not borne for the performance of future activities are not recognized.

The company registers provisions for onerous contracts when the estimated benefits acquired from a contract are less than the inevitable expenses related to the meeting of contractual obligations.

The provisions for risks and expenses are recognized when the company has a legal or implicit obligation resulted from past events, when for the clearing of the obligation a resource outflow is necessary, which includes economic benefits and a credible estimation can be made regarding the value of the obligation.

m) Incomes

The income registered by the Company is accounted in terms of its nature (exploitation, financial).

When the result of a transaction which implies service provision cannot be reliably estimated, the income must be recognized only in the limit of recognized expenses which can be recovered. The service provision expenses are registered in accounting as they are made. The service provision includes also work execution and any other operation which may be considered goods delivery. For recognition the economical benefits related to the transaction are required to be generated for the company, the final stage of the transaction at the end of the period and the costs borne for the transaction, as well as the ones for the completion of the transaction are required to be reliably evaluated.

Income from the sale of goods are recognized when the significant risks and benefits pertaining to the ownership right have been transferred to the buyer, the company does not manage the goods nor has control over them. The income and expenses which are related to the same transaction are recognized simultaneously.

The income must be evaluated at the fair value of the counter performance received or to be received. If the transaction is financial, the fair value is determined by updating all the amounts to be received in the future, using an implicit interest rate, the difference from the accounting value is income from interest.

The amounts collected on the behalf of third parties, such as sale taxes, taxes for goods and services and value added taxes are not economic benefits generated for the entity and do not have as result growths of equities. Therefore, they are excluded from incomes. Similarly, in case of a mandate contract, the gross inflow of economic benefits include the amounts collected on the behalf of the mandator and which do not result in growths of equities of the entity. The amounts collected on the behalf of the mandator do not represent income. Instead, the income is represented by the value of the fees.

The income and interest expenses are recognized using the effective interest method proportionally with the relevant period of time, based on the principle and on the effective rate during the period until expiration or during short periods if this period is related to transaction costs, when it is set that the company will acquire such income. When the unpaid interest has been accumulated before purchasing an interest investment, the future interest cashes are allocated between the pre-purchase and post-purchase periods; only the post-purchase period is recognized as income.

Income from financial immobilizations, respectively the equities to be received from entities to which the company owns stakes, is recognized in the financial statements of the Company on the date in which the Company’s right to receive this income is set.

The nominal value of shares which are received on a free basis is also registered as income from financial immobilizations as the effect of direct incorporation of profit pertaining to the final period in the share capital of an entity in which stakes are owned.

The income made from the sale/transfer of stakes owned will be recognized on the date in which the ownership right over them has been transferred from seller to buyer, using the accounting of the date of clearing.

The income from the shareholding title transaction is recognized at gross value (transaction value), and the one resulted from transactions with short-term financial investments is highlighted on a net basis (the difference between sale value and cost).

n) *Employee benefits*

Short-term benefits

Short-term benefit obligations given to employees are not updated and are recognized in the global result statement as the respective service is performed.

Short-term benefits of employees include salaries, bonuses and contributions to social securities. Short-term benefits of employees are recognized as expense when the services are performed.

The company recognizes a provision for the amounts to be paid with bonus title in cash on short-term or shareholding schemes of the staff to profit if the Company has in the present a legal or implicit obligation to pay those sums as a result of the past services performed by the employees and if the respective obligation can be credibly estimated.

Definite contribution plans

The company makes payments on the behalf of its own employees to the pension scheme of the Romanian state, to the health insurance system and the unemployment fund, during the performance of normal activities. All respective contributions are recognized in the profit or loss account of the period when they are performed. The company has no additional obligations.

Long-term benefits of employees

The net obligation of the Company regarding the benefits related to long-term services is represented by the future value of the benefits earned by the employees for the services performed in the current period and in the previous periods.

The company is not engaged in an independent pension scheme or in another post retirement benefit scheme and has no other obligations in this sense. The company is not required to offer benefits to employees on the date of retirement.

o) ***Earnings and loss from exchange rate differences***

The currency transactions are registered in the functional currency (leu) by converting the sum in currency at the official exchange rate delivered by the National Bank of Romania, valid on the date of the transaction.

At the date of reporting, the monetary elements expressed in currency are converted using the closing exchange rate.

The exchange differences occur when clearing the monetary elements or converting the monetary elements at exchange rates different from the ones at which they have been converted at initial recognition (during the period) or in the previous financial statements they are recognized as loss or earning in the profit or loss account in the period they occur.

p) Corporate tax

Corporate tax related to the financial year includes the current tax and the deferred income tax.

Corporate tax is recognized in the global result statement or in other elements of the global result when the tax is related to stock elements.

The current tax is the tax paid for the profit made in the current period, determined based on the percentages applied on the date of reporting and of all adjustments pertaining to the previous periods. For the financial year ended on 31st of December 2018, the corporate tax rate was 16% (31st of December 2017:16%).

The deferred income tax is set by the Company using the balance method for those temporary differences occurred between the financial base of the tax for assets and debt and their accounting value, used for reporting in the individual financial statements.

The deferred income tax is not recognized for the following temporary differences:

- initial recognition of commercial fund,

- initial recognition of assets and debt from transactions which are not company combinations and which do not affect the accounting profit or the financial one and differences from investments in branches, provided they are not restarted in the near future.

The deferred income tax is calculated based on the taxation percentages which are anticipated to be applied to temporary differences at their restart, based on the law in effect at the date of report. The claims and debt with the deferred income tax are compensated only if there is legal right to compensate current debt and claims with the tax and if they are related to the corrected tax of the same financial authority for the same entity conformed to taxation or for different financial authorities, but which do not want to make the clearing of current claims and debt with the tax using a base net or the respective assets and debt will be made simultaneously.

The claim regarding the deferred income tax is recognized by the Company only if future profit is made and which can be used to cover the financial loss. The claim is revised at the end of each financial year and is decreased as the respective financial benefit is not likely to be made.

r) Earnings per share

The company presents the basic earnings per share for the ordinary shares. The basic earnings per share are determined by division of profit or loss assigned to the ordinary shareholders of the Company at weighted average number of ordinary shares pertaining to the reporting period.

s) Reporting on segments

A segment is a distinctive component of the Company which provides certain products or services (activity segment) or provides products or services in a certain geographical environment (geographical segment) and which is submitted to risks and benefits different from the ones of the other segments. Geographically speaking, the Company provides products and services only in Romania.

On 31st of December 2018, the Company has not identified significant reporting activity or geographical segments and has not acquired distinct financial information regarding the activity segments.

t) Presentation of financial statements

This set of financial statements has been concluded according to the International Financial Reporting Standards. The Company has adopted the reporting according to the International Financial Reporting Standards starting from 31st of December 2012.

The accounting policies have been applied consecutively to all financial years presented, except the cases in which it is specified otherwise. In order to conclude the individual financial statements, the commitment accounting principle and the continuous activity principle have been applied.

The company declares that it has concluded annual financial statements for the ended financial year on 31st of December 2018 according to the International Financial Reporting Standards as they are approved by the European Union, applied to trading companies whose real estate is approved for transaction on a regulated market, the Order of the deputy prime minister, the ministry of public finance no. 2844/2016, with further modifications and additions.

The individual financial statements are presented according to IAS 1 “Presentation of financial statements”. The company has adopted a presentation based on liquidity within the statement of financial position and a presentation of income and expenses in terms of their nature within the global result statement, taking in consideration that these presentation methods offer information which is more relevant than other methods approved by IAS 1.

u) Determination of fair value

IFRS 13 “Evaluation at fair value” replaces the evaluation requirements of the fair value included in the IFRS individual standards with a single determination framework. IFRS 13 describes the way in which fair value must be determined when it is required or approved by IFRS.

The standard does not introduce new evaluation requirements for assets or liabilities at fair value and does not eliminate exceptions which are present in certain standards. IFRS 13 contains an extended framework which provides presentation requirements of information additional to the existent ones which allow the users of financial statements to evaluate the methods and information used for the determination of the fair value.

Certain accounting policies of the company and presentation requirements of information require the determination of fair value for assets and liabilities and financial debts as well as for the non-financial ones. The fair values have been determined for evaluation and/or presentation of information based on the methods described above. When necessary, the additional information regarding the assumptions used in the determination of fair values are presented in the notes of the asset or of the respective debt.

- Commercial claims and of other type

The fair value of commercial liabilities and of other type is estimated as present value of future cash flows, updated using a financing rate specific to the market on the date of the financial reporting. This value is determined for information purposes.

- Interest-bearing loans

The fair value of these elements is estimated as the present value of future cash flows representing principal and interest, updated using a financing rate specific to the market on the date of the financial reporting. This value is determined for information purposes.

- Corporate immobilizations

The fair value of these elements has been set following a reevaluation made by an independent evaluator, member of ANEVAR, using the comparison method for lands and the financial flow update method for buildings and constructions.

v) *Adopting new and revised international financial reporting standards*

The company does not apply some IFRS or new IFRS provisions issued and not in effect on the date of the financial statements. The company cannot estimate the impact of applying these provisions on the financial statements and intends to apply these provisions when they become effective.

The company anticipates that adopting these new standards and amendments to the existing standards will not have a significant imapct on the financial situations in the initial application's period.

1. The initial application of the new amendments of the existing standards and interpretations valid for the current period.

The following standards and amendments or improvements of the existing standards issued by IASB and adopted by the European Union ("EU"):

• Amendment to IFRS 4" Insurance Contracts" - The application of IFRS 4 Insurance Contracts - adopted by EU on 3rd November2017 (applicable for the annual periods starting with or after 1st January 2018 or upon first application of IFRS 9 "Financial Instruments")

• Amendments to IFRS 1 and IAS 28 following "IFRS improvements (period 2014-2016)" that result from the annual improvement project of IFRS (IFRS 1, IFRS 2 and IAS 28) with the main aim of eliminating in-consequences and of clarifying certain formulations - adopted by EU on 7th February 2018 (amendments to IFRS 1 and IAS 28 are applicable for annual periods starting with 1st January 2018).

The company anticipates that the adopting of these new amendments to the existing standards will not have a significant impact of the financial situations in initial application's period.

2. Amendments to the existing standards issued by IASb and adopted by EU, adopted by the society on 31st December 2018

The following standards and amendments or improvements of the existing standards issued by IASB and adopted by the European Union ("EU") have entered into force and have been adopted by the company:

• IFRS 9 "Financial instruments" - adopted by EU on 22nd November 2016 (in force for the annual periods starting with or after 1st January 2018)

• IFRS 15 "Revenue from contracts with customers", including amendments to IFRS 15 "On the effective date of IFRS 15" - adopted by EU on 22nd September 2016 (in force for the annual periods starting with or after 1st January 2018)

• Amendments to IFRS 15"Revenue from contracts with clients" - Clarifications to IFRS 15 Revenue from contracts with clients - adopted by the EU on 31st December 2017 (applicable for annual periods starting with or after 1st January 2018). On the 31st December 2018, the company has adopted these new standards and amendments to the existing standards

3. Amendments to the existing standards issued by IASB and adopted by EU, that are not yet in force

On the date of approving these individual financial situations, the following standards and modifications to standards and the existing interpretations issued by IASB and adopted by the EU were issued, but not in force:

• IFRS 16 "Leasing" - adopted by the EU on 31st October 2017 (applicable for the annual periods starting with or after 1st January 2019)

4. The new standards and amendments to the existing standards issued by IASB, but not adopted by the EU yet, IFRS adopted by the EU are not significantly different from the regulations adopted by the International Accounting Standards Board (IASB) with the exception of the following standards, amendments to standards and existing interpretations, that have not been approved in order to be used in the EU on the date of publishing the financial situations (the entrance data in force mentioned below refer only to IFRS):

• IFRS 14 "Regulatory Deferral Accounts" (applicable for the annual periods starting with or after 1st January 2016) - The European Committee has decided not to issue the approval process of this interim standard and to wait its finalization)

• IFRS 17 "Insurance contracts" (applicable for the annual periods starting with or after 1st January 2021)

• Amendments to IFRS 2 "Share-based payment" - The classification and evaluation of shared-based payment transactions (applicable for the annual periods starting with or after 1st January 2018)

• Amendments to IFRS 9 " Financial Instruments" - the advance payment characteristics with negative compensation (applicable for the annual periods starting with or after 1st January 2019)

• Amendments to IFRS 10 "Consolidated financial statements" and IAS 28 "Investments in Associates and Joint Ventures" - The selling or contribution with, assets between an investor and associated companies or its joint ventures and subsequent amendments (the entrance into force was postponed for an indefinite period, until the research project regarding the equity method is finalized),

• Amendments to IAS 19 "The employees' benefits" - The modifications, reducing or reimbursement of a plan (applicable for the annual periods starting with or after 1st January 2019)

• Amendments to IAS 28 "Investments in Associates and Joint Ventures"- long term interests in associated companies and joint ventures (applicable for the annual periods starting with or after 1st January 2019)

• Amendments to IAS 40 "Investment property" - Property investment transfers (applicable for the annual periods starting with or after 1st January 2018)

• Amendments to different standards following the "Improvements of IFRS (the period 2015-2017)" that results from the annual improvement project of IFRS (IFRS 3, IFRS 11, IAS 12 and IAS 23)

• IFRIC 22 "Foreign Currency Transactions and Advance Consideration" (applicable for the annual periods starting with or after 1st January 2018)

• IFRIC 23 "uncertainty over income tax treatments" (applicable for the annual periods starting with or after 1st January 2019)

C. PRESENTATION NOTES

1. CORPORATE IMMOBILIZATIONS

Corporate immobilizations are recognized according to IAS 16 (revised 2003) using the alternative treatment approved by this standard. The values used in the IFRS opening balance for corporate immobilizations represent fair values on the date of the transfer to IFRS "as its assumed cost on that date" IFRS1 BC41.

The "Land" group is reflected to fair value according to the evaluation performed on 31st of December 2014. The evaluation report of corporate immobilizations of land type concluded by S.C. DARIAN DRS S.A. – member of ANEVAR, in 2014, has had the purpose of estimating the market value of lands and had taken into account the recommendations of the International Application Standard 1 – EVA 1 "Evaluation for financial report". The evaluated value of lands on 31.12.2014 was of 49.221.409 lei calculated at a medium price of 43 euro/sm. The economic crisis has had a strong impact on the land market; it has been the most affected real estate segment from the beginning. According to the accounting policies approved for lands, no depreciation is calculated.

The "Constructions" group has been reevaluated on 31st of December 2017 using the financial flow update method (approach based on income) by S.C. DARIAN DRS S.A. – member of ANEVAR, and in the financial record, the fair value of the fixed assets was registered by eliminating the accumulated amortization.

"Constructions" group – fair value:

- *lei*

Group	Accounting value	Accumulated amortization	Fair value	Reevaluation differences
Constructions	77.657.063	11.909.379	80.495.662	14.747.977
Real estate investments	478.110	126.732	397.530	46.152

The costs of the indebtedness (interest and fees pertaining to these contracted loans) which are directly assigned to the acquisition, construction or production of an asset are included in the cost of that asset.

The amortization is straight-line, the periods of amortization are set between 8-60 years. Corporate immobilizations issued from the patrimony by sale, invalidation or other means of issue are reflected in the profit and loss account to the net accounting value.

The differences of the respective reevaluation is deemed to be performed only on the sale, invalidation of immobilizations or as they are used and transferred in the reported result.

The "Technical installations, means of transport" and "Furniture, machines, paper" groups are registered at historical cost, amortization is straight-line, and amortization periods are set between 3-18 years.

The inflows of corporate immobilizations have been 22.484.841 lei which represent from which lands 19.673.933, commissioned investment and modernization works worth 2.810.908 lei and 886.647 lei for investments in execution. During 2018 there were no fixed assets obtained from direct labour.

The value of fixed asset flows, other than lands, during 2018 is of 784.089 lei, made based on the invalidation procedure.

No adjustments have been made for the depreciation of fixed assets.

In the current economic background, the Company has analyzed the internal and external information sources for the application of the IAS 36 – "Depreciation of assets" provisions and therefore has not considered necessary the registration of adjustments regarding the depreciation of assets related to technical installations and means of transport.

- Corporate immobilizations at gross value in 2018:

- lei .

31st December 2018	Lands	Constructions	Technical installations and apparatus, machines and furniture	Corporate immobilizations in progress	Advances corporate immobilizations	TOTAL
Initial balance	**49.221.409**	**80.495.662**	**32.448.050**	**6.893.305**	**10.572.385**	**179.630.811**
Inflow	19.673.933	1.855.561	2.151.595	23.696.104	-9.413.186	**36.764.946**
Outflow	0	0	-784.090	-21.809.457	0	**-22.593.547**
Reserve transfers from reevaluation in the reported result	0	0	0	0	0	**0**
Final balance	**68.895.342**	**82.351.223**	**32.448.050**	**8.779.952**	**1.159.199**	**193.802.210**

- Impact of amortizations and provisions on the gross value of corporate immobilizations in 2018:

- lei .

31st December 2018	Lands	Constructions	Technical installations and apparatus, machines and furniture	Corporate immobilizations in progress	Advances corporate immobilizations	TOTAL
Initial balance	**0**	**0**	**26.007.255**	**0**	**0**	**26.007.255**
Value adjustments representing amortization and depreciations	0	3.906.561	2.151.595	0	0	**6.058.157**

Value adjustments pertaining to issued fixed assets.	0	0	784.090	0	0	**-784.090**
Reserve transfers from reevaluation	0	0	0	0	0	**0**
Final balance	**0**	**3.906.561**	**27.374.761**	**0**	**0**	**31.281.322**
Net value of fixed assets on 31st of December 2018	**68.895.342**	**78.444.661**	**5.241.734**	**8.779.952**	**1.159.199**	**162.520.888**

➢ Corporate immobilizations at gross value in 2017:

- lei .

31st December 2017	Lands	Constructions	Technical installations and apparatus, machines and furniture	Corporate immobilizations in progress	Advances corporate immobilizations	**TOTAL**
Initial balance	49.221.409	77.522.806	31.293.919	3.326.752	10.390.751	171.755.638
Inflow	0	14.882.235	1.808.178	4.201.874	181.634	21.073.922
Outflow	0	-11.909.379	-654.047	-635.322	0	-13.198.749
Reserve transfers from reevaluation in the reported result	0	0	0	0	0	0
Final balance	49.221.409	80.495.662	32.448.050	6.893.305	10.572.385	179.630.811

➢ Impact of amortizations and provisions on the gross value of corporate immobilizations in 2017:

- lei .

31st December 2017	Lands	Constructions	Technical installations and apparatus, machines and furniture	Corporate immobilizations in progress	Advances corporate immobilizations	**TOTAL**
Initial balance	**0**	**7.634.077**	**24.573.402**	**0**	**0**	**32.207.478**
Value adjustments representing amortizations and depreciations	0	4.275.302	2,045,600	0	0	**6.320.902**
Value adjustments pertaining to issued fixed assets.	0	0	-611.747	0	0	**-611.747**
Final balance	0	-11.909.379	0	0	0	**-11.909.379**
Net value of fixed assets on 31st of December 2017	**49.221.409**	**80.495.662**	**6.440.795**	**6.893.305**	**10.572.385**	**153.623.556**

2. NON-CORPORATE IMMOBILIZATIONS

Non-corporate immobilizations are initially recognized in terms of cost according to IAS 38 – “Non-corporate immobilizations (revised 2004). In this group are included the permits for informatics programs and the OSIM brand of the company registered at historical cost submitted to amortization by the straight-line method on a period between 3-5 years. The non-corporate assets are not reevaluated; the value of each non-corporate asset is analyzed each year for the possibility of discovering depreciations.

On 31st of December 2018 the net non-corporate immobilizations are presented as such:

- lei

Cost	**2017**	**2018**
Initial balance 1st of Jan.	**331.404**	**338.213**
Inflow	6.810	0
Outflow	0	0
In progress	0	0
Modifications in fair value	0	0
Final balance on 31st of Dec.	**338.213**	**338.213**

- lei

Value adjustments	**2017**	**2017**
Initial balance 1st of Jan.	**285.492**	**299.911**
Value adjustments representing amortizations	14.419	12.732
Value adjustments representing depreciations	0	0
Final balance on 31st of Dec.	**299.911**	**312.643**

Net value of non-corporate immobilizations on 1st of Jan..	**45.913**	**38.303**

Net value of non-corporate immobilizations on 31st of Dec.	**38.303**	**25.570**

3. REAL ESTATE INVESTMENTS

The “Real estate investments” group has been evaluated on 31st of December 2017 using the financial flow update method (approach based on income) by S.C. DARIAN DRS

S.A. – member of ANEVAR, and in the financial record, the fair value of the fixed assets was registered by eliminating the accumulated amortization. On 31st of December 2018 the real estate investment statement is the following:

- lei

Cost	31 dec 2017	31 dec 2018
Initial balance	**478.110**	**397.530**
Inflow	0	2.813
Outflow	-126.732	0
Modifications of fair value	46.152	0
Final balance	**397.530**	**400.343**

- lei

Value adjustments	31 dec 2017	31 dec 2018
Initial balance	**84.488**	**0**
Value adjustments representing amortizations and depreciations	-84.488	42.273
Final balance	**84.488**	**42.273**
VNet value of real estate investments on 31st of Dec.	**397.500**	**358.070**

4. FINANCIAL ASSETS

The securities are recognized in the financial statements according to IAS 39 – "Financial instruments: recognition and evaluation" and IFRS 7 – "Financial instruments: Information to be provided".

The company has applied the following recognition and evaluation principles of shares and securities:

- shares owned unquoted at the stock exchange are registered at fair value, the potential earnings or losses to be recognized in the profit and loss account.

- shares owned quoted at the stock exchange are registered at fair value (the value from the last transaction day of the year), the potential earnings or losses to be recognized in the profit and loss account.

Based on these principles, the company has classified the securities owned by S.C. Turism Lotus Felix S.A. and S.C. Transilvania Travel & Hotels S.A. (which are recognized as financial immobilizations) as shares owned by associate entities.

The financial immobilizations are recognized in the Statement of financial position as being evaluated at fair value.

The shares owned by the companies unquoted at the stock exchange cannot be reliably evaluated because there is no active market for these titles.

Following the fact that S.C. Turism Lotus Felix S.A. has increased the share capital in January 2015 by issuing shares at nominal value, without issue bonuses, the Company management has considered that the fair value is equal to the total cost of the stake in the share capital. During 2016, according to the OGAS from 30.12.2016 SC Turism Felix SA has a shared the sum 1.301.385 lei in order to increase the share capital of SC Transilvania Travel SA by converting the receivables in the shares.

Unquoted shares

Company name	**Location of activities** *(head office)*	**Percentage owned** *on 31 .12. 2018*	**Percentage owned** *on 31 .12. 2017*	**Stake value** *on 31.12.2018* *(lei)*	**Stake value** *on 31.12. 2017* *(lei)*
S.C. Transilvania Travel S.A.	Bucharest	18,35%	18,35%	1.391.985	1.391.985
S.C. Turism Lotus Felix S.A.	Băile Felix	30,33%	30,33%	38.428.688	38.428.688
Total unquoted shares				**39.820.673**	**39.820.673**

5. STOKS

The stock statement, in structure, is the following:

- lei .

Stocks	**2017**	**2018**

Raw material	19.901	9.846
Consumable material	639.281	667.332
Inventory objects	439.967	57.514
Materials found at third parties	58.079	0
Merchandise	500.043	475.014
Advances	17.625	6.158
Stock value on 1st of Jan.	**1.674.896**	**1.215.865**

- lei

Stocks	**2017**	**2018**
Raw material	9.846	25.135
Consumable material	667.332	716.354
Inventory objects	57.514	3.697
Materials found at third parties	0	3.804
Merchandise	475.014	481.338
Advances	6.158	0
Stock value on 31st of Dec.	**1.215.865**	**1.230.328**

Stocks are recognized in financial statements according to IAS 2 – "Stocks" (revised in 2003) applied for annual periods which start on the 1st of January 2005.

These include:

a) **Raw materials and consumables** –raw material and consumable inflow are made at purchase cost; they are not highlighted in terms of quantity-value, and the FIFO method is used in order to release them for consumption. The criteria on which underlie the determination of slow and no movement stocks is the one related to the date of the final outflow from the company storage and their ways of improvement. Organizing the accounting of stocks is performed through the permanent inventory method.

No adjustments have been elaborated for value depreciations.

b) Inventory objects– are highlighted at purchase cost and the inventory outflow for the inventory objects in use is performed at historical accounting value.

The legal provisions regarding outages apply.

- in the storage: the storage period is short, supply is made on the consumption necessity. The inventory objects in use are entirely recognized in expenses.

- in use: the storage spaces in terms of their utility. Their storage record must be kept non-accounting.

c) Finished products – represent the value of the stock manufactured within the company, but which is regularly used for company purposes.

d) Merchandise – is highlighted at purchase price in the public food units by practicing trade markups set by the decision of the executive committee of the company mainly in terms of the: factors which influence the market price, the inland revenue required for a certain period, the sale capacity and the unit efficiency. The legal provisions regarding outages apply. Organizing the accounting of stocks is performed through the permanent inventory method. The inventory outflow method used is the **FIFO method.** No adjustments have been elaborated for value depreciations.

6. TRADE CLAIMS

*I*n terms of the liquidity term, the accounting value of the claims is the following*:*

\- *lei*

Trade claims	**2017**	**2018**
Clients	3.165.603	6.126.347
Uncertain clients	292.882	292.882
Clients invoices to conclude	-133.552	-285.998
Value of trade claims on 1st of Jan.	**3.324.934**	**6.133.232**
Clients	6.126.347	6.815.597
Uncertain clients	292.882	822.751
Clients invoices to conclude	-285.998	1.241.104
Value of trade claims on 31st of Dec.	**6.133.232**	**8.879.452**

\- *lei*

Adjustments for claim depreciation	**2017**	**2018**
Initial balance on 1st of Jan.	**292.882**	**292.882**
Adjustment concluded within the year	0	580.936
Adjustment reversed within the year	0	51.068
Final balance on 31st of Dec.	**292.882**	**822.751**

Net value of trade claims on 1st of Jan.	**3.032.051**	**5.840.349**
Net value of trade claims on 31st of Dec.	**5.840.349**	**8.056.701**

The trade claims of the Company are made from the clients' balance by which the company improves its services on the internal and external market. The value of claims on the internal market is reflected at historical prices. They are registered in terms of their age and type. A specific property regarding claims represents the existence of claims of hotel clients management type. The claims are presented in financial statements in terms of their type to the probable value to be collected. For values in which the collection is uncertain, the Company has calculated depreciation adjustments.

7. AOTHER CLAIMS

Other claims represent the amount to be collected by the Company by clearing with the staff, different debtors and paid advances. The advance expenses represent advance payments for insurance, payments for informatics program upgrades and telephone subscriptions.

- lei

Other claims on 1st of Jan.	**2017**	**2018**
Other claims related to staff	721	746
Recoverable VAT	155.964	273.795
Other contributions and taxes	0	0
Different debtors	85.560	85.979
Suspense amounts	75.243	206.121
Advances	27.476	3.617
Expenses registered in advance	16.038	60.124
Interests to be collected	350.094	556.559
Value of other claims on 1st of Jan.	**954.799**	**1.186.942**

- lei

Other claims on 31st of Dec.	**2017**	**2018**
Other claims related to staff	746	0
Recoverable VAT	273.795	940.401
Other social debts	0	557.484
Other contributions and taxes	85.979	1.497.660
Different debtors	206.121	79.512
Suspense amounts	3.617	39.993

Advances	60.124	112.682
Expenses registered in advance	556.559	129.774
Value of other claims on 31st of Dec.	**1.186.942**	**3.357.506**

- lei

Adjustments for the depreciation of other claims	**2017**	**2018**
Initial balance	**47.055**	**47.055**
Adjustment concluded within the year	0	0
Adjustment reversed within the year	0	0
Final balance	**47.055**	**47.055**
Net value of other claims on 1st of Jan.	**664.039**	**1.139.886**
Net value of other claims on 31st of Dec.	**1.139.886**	**3.310.451**

The value of the corporate tax to be recovered is the following:

- lei

Claims on current corporate tax	**2017**	**2018**
Initial balance	**316.786**	**140.197**
Value starting year	316.786	140.197
Value finishing year	140.197	15.260
Final balance	**140.197**	**15.260**
Net value on 1st of Jan.	**140.197**	**15.260**
Net value on 31st of Dec.	**140.197**	**15.260**

8. CASH AND CASH EQUIVALENTS

Accounts in lei and in currency are paid with an interest rate set by each bank.

The short-term deposits are created on periods between 1 month and 3 months, in terms of the availability at the time, but also the immediate financing needs.

The short-term deposits are paid to a negotiated interest higher than the interest pertaining to the current account.

Other cash equivalents represent sums for collection pertaining to the previous day in relation to the central pay office of the company.

Other cash equivalent values are of 136.919 lei on 31st of December 2017, respectively 35.607 lei on 31st of December 2018 and reflects the sums in clearing on the last day of the period submitted the next day.

The cash and cash equivalent statement is the following:

- lei

Cash and cash equivalents	**2017**	**2018**
Bank accounts in lei	9.828.177	8.169.949
Bank accounts in currency	1.487.592	2.123.090
Cash in “office”	4.735	6.209
Other cash equivalents	136.919	196.764
Cash and cash equivalents value on 1st of Jan.	**11.457.423**	**10.496.012**

- lei

Cash and cash equivalents	**2017**	**2018**
Bank accounts in lei	8.169.949	14.089.526
Bank accounts in currency	2.123.090	2.446.307
Cash in “office”	6.209	10.159
Other cash equivalents	196.764	35.607
Cash and cash equivalents value on 31st of Dec.	**10.496.012**	**16.581.598**

Other short term financial investments and assimilated debts represent the invested financial values in order to realize a long term profit. The held shares at the end of the year 2018 are of 2.408.361 lei and represent the portfolio at SIF Oltenia of 1.055.089 shares. Other values to be collected in cash worth 53.786 lei on 31st December 2017, respectively 2.145 lei on 31st December 2018 and reflect the sums in settlement resulted from payment by card.

The statement of other amounts to be collected is the following:

- lei

Cash and cash equivalents	**2017**	**2018**
Other short term financial investments and assimilated debts	**0**	**1.308.194**

Other amounts to be collected	36.123	53.786
Vash and cash equivalents value on 1st of Jan.	**36.123**	**1.361.980**

- lei

Cash and cash equivalents	**2017**	**2018**
Other short term financial investments and assimilated debts	1.308.194	2.408.361
Other amounts to be collected	53.786	2.145
Valoash equivalents value on 31st of Dec.	**1.361.980**	**2.410.505**

9. SHARE CAPITAL

.

All shares are ordinary, have been subscribed and are fully paid on 31st of December 2018. All shares have the same voting right and have a nominal value of 0.10 lei/share. The number of authorized shares to be issued is equal to the one of issued shares. During 2018, 2014 and 2017 and 2016 there have been no modifications in the number of issued shares.

Shareholders– according to the Central Depository	**On 01.01.2018**			**on 31.12.2018**		
	number of shares	value *(lei)*	percentage owned	number of shares	value *(lei)*	percentage owned
1. SIF TRANSILVANIA SA	313.579.000	31.357.900	63,20%	313.579.000	31.357.900	63,20%
2. SIF OLTENIA SA	143.752.429	14.375.243	28,98%	143.752.429	14.375.243	28,98%
3. Legal people	10.535.295	1.053.530	2,12%	10.595.836	1.059.584	2,13%
4. Physical people	28.282.732	2.828.273	5,70%	28.222.191	2.822.219	5,69%
TOTAL	**496.149.456**	**49.614.946**	**100,00 %**	**496.149.456**	**49.614.946**	**100,00 %**

Value of share capital on 31.12.2018	**49.614.946**

- lei

Share capital	**31st of December 2017**	**31st of December 2018**
Share capital according to RAR	49.614.646	49.614.646
Decrease in share capital	0	0
Increase in share capital	0	0
Renegotiated share capital IFRS 1	**49.614.646**	**49.614.646**

The reconciliation of the share capital according to the International Financial Reporting Standards with the one according to RAR has been registered on 01.01.2012 along with the first application of the regulations according to IFRS. The effect of hyperinflation on the share capital in the amount of 86.950.065 lei has been registered based on the reported result.

By Decision no. 1/22.03.2013 of the Company Shareholders' General Ordinary Assembly (based on the provisions of OMFP 1286/2012, articles 129^1 and 129^2) the partial insurance of the accounting loss from the IFRS application and from the first enactment of IAS 29 in the amount of 89.508.914 lei has been approved based on the equities with the amount of 86.950.065 lei based on other elements similar to capitals reflected in account 1028 "Adjustments of the share capital";

10. REPORTED RESULT BY APPLYING IFRS – IAS 29

The reported result comes from the application of the IAS 29 provisions – "Financial reporting in the hyperinflationary economies" over the equities (share capital, legal reserves and other reserves) and from the effect of the first application of the International Financial Reporting Standards, following that in the future the reported result to be covered from the equities according to the decision of the company shareholders' general assembly, meeting the legal provisions.

- lei

Reported result	**2017**	**2018**
- represents the surplus from reevaluation reserves	1.257.270	1.257.270
- resulted from using the fair value as assumed cost on the date of the IFRS application	2.861	2.861
Initial balance 1st of Jan.	**1.260.131**	**1.260.131**
Reported result on 01.01.	**1.260.131**	**1.260.131**

- lei

Reported result	2017	2018
- represents the surplus from reevaluation reserves	1.257.270	1.257.270
- resulted from using the fair value as assumed cost on the date of the IFRS application	2.861	2.861
Final balance on 31st of Dec.	**1.260.131**	**1.260.131**
Reported result on 31st of Dec.	**1.260.131**	**1.260.131**

11. OTHER RESERVES

In order to further recognize the corporate immobilizations, the Company has adopted the reevaluation model (IAS 16 art. 29). The value of the goods based on the reevaluation model according to (IAS 16 art. 31), is the fair value at the reevaluation date minus any further accumulated amortization and any losses accumulated from depreciation.

Reevaluations must be made regularly so as the accounting value does not significantly differ from what would have been set by using the fair value at the date of the balance. The surplus from the reevaluation reserve performed is registered according to provisions (IAS 16 art. 41).

- lei

Reserves	2017	2018
Reserves resulted from reevaluation	64.754.312	78.940.196
Legal reserves	5.109.418	5.161.966
Other reserves	61.885.588	64.804.589
Initial balance on 1st of Jan.	**131.749.318**	**148.906.751**
Value of reserves on 01.01.	**131.749.318**	**148.906.751**

- lei

Reserves	2017	2018
Reserves resulted from reevaluation	78.940.196	77.337.772
Legal reserves	5.161.966	5.270.228
Other reserves	64.804.589	67.805.594
Final balance on 31st of Dec.	**148.906.751**	**150.413.595**
Value of reserves on 31st of Dec.	**148.906.751**	**150.413.595**

The amount for the reevaluation reserve on 31st of December 2018 is of 77.337.772 lei, and on 31st of December 2017 it was 78.940.196 lei. According to the legal requirements, the Company makes legal reserves in percentage of 5% from the profit registered according to RAR up to 20% of the share capital and the amount of the legal reserve on 31st of December 2018 is of 5.270.228 lei and on 31st of December 2017 it was 5.161.966 lei. Other reserves include the sums allocated from the profits made in the financial reporting periods to other financial sources for investment according to the development strategy of the Company long-term.

12. CURRENT RESULT

In the current result of the exercise are recognized all the income and expense elements from the reported period.

- lei

Current result	2017	2018
Initial balance 01.01.	**5.519.118**	**3.683.802**
Inflow current result	3.683.802	10.255.638
Allocation of profit	-5.519.118	-3.683.802
Final balance 31.12.	**3.683.802**	**10.255.638**
Value of net profit to be allocated	**3.683.802**	**10.255.308**

- lei

Profit allocation	2017	2018
Initial balance 01.01.	**330.696**	**52.548**
Current elaborations	52.548	108.263
Current cancellations/applications	-330.696	-52.548
Final balance 31.12.	**52.548**	**108.263**
Value of profit to be allocated	**52.548**	**108.263**

During 2018 according to the A.G.O.A. decision from 19.04.2018, the equities have been given in percentage of 61% from the net profit made in 2017, after the allocation of the legal reserve, the difference of the net profit to be allocated was distributed to reinvestment sources. The value of the gross dividend given to the company shareholders was of 0.0045 lei/share, the total value of the gross dividend was 2.232.673 lei. The difference in net profit worth 1.398.581 was assigned for investment financing sources, after the constitution of legal reserves worth 52.548. The company has constituted legal reserves worth 108.263 lei, afferent to the financial year 2018, these being subject to restrictions afferent to distribution towards shareholders.

13. LONG-TERM LOANS

The credits for investments are recognized in terms of the amounts acquired.

The costs of the indebtedness (interest and fees pertaining to the contracted loans) which are directly assigned to the purchase, the construction or production of an asset is included in the cost of the asset. On 31.12.2018 the company does not have bank loan contracts or other long-term loans .

14. PROVISIONS FOR RISKS AND EXPENSES

During 2018 there have been concluded provisions for risks and expenses. The provisions in balance on 31st of December 2018 have been concluded for:

• employee benefits - At the end of 2018 were constituted the provision for annual leaves not taken during 2017 worth 380.386 lei

. The company has no other obligations for which provisions are necessary.

- lei

Provisions for risks and expenses	**2017**	**2018**
Initial balance 01.01.	**218.621**	**218.621**
Provisions for employee benefits	0	0
Total Provision concluded within the year	**0**	**0**
Provisions for employee benefits	218.621	380.386
Total Provision reversed within the year	**218.621**	**380.386**
Final balance 31.12.	**0**	**380.386**

Value of provisions on 31st of Dec.	**0**	**380.386**

15. OTHER MEDIUM-TERM AND LONG-TERM DEBTS

The performance guarantees are reflected in the category of the long-term financial debts and represent amounts retained by the beneficiary from the counter value of the services performed by the supplier; their value on 31st of December 2017 was of 1.075.772 lei and on 31st of December 2018 was of 1.099.040 lei.

16. TRADE CLAIMS

Trade claims refer to company obligations towards physical or legal third parties, resulted from the purchase of goods, immobilizations or service use.

- lei

Trade claims	2017	2018
Suppliers	3.014.043	2.931.843
Immobilization suppliers	423.565	582.758
Unreceived invoice suppliers	208.531	128.352
Initial balance 01.01.	**3.646.139**	**3.642.953**
Suppliers	29.531.724	35.508.627
Immobilization suppliers	4.983.562	18.017.940
Unreceived invoice suppliers	1.894.186	2.283.922
Total of trade claims accumulations	**34.409.472**	**55.810.489**
Suppliers	29.613.923	33.904.958
Immobilization suppliers	4.824.370	9.637.124
Unreceived invoice suppliers	1.974.365	2.123.660
Total of trade claims payments	**36.412.658**	**45.665.742**
Suppliers	2.931.843	4.535.512
Immobilization suppliers	582.758	8.963.574
Unreceived invoice suppliers	128.352	288.614
Final balance 31.12.	**3.642.953**	**13.787.700**
Value of trade claims on 31st of Dec.	**3.642.953**	**13.787.700**

17. CURRENT TAXES

The structure of the current taxes in balance at the date of the financial report is the following:

- lei

Current contributions and taxes	**2017**	**2018**
Social insurance	710.927	499.502
Unemployment benefit	23.908	23.219
Other social debt	3.534	3.461
Salary contributions	288.564	283.526
Other contributions, taxes and assimilated payments	64.996	35.666
Other special funds, taxes and assimilated payments	4.301	5.419
Initial balance on 01.01.	**1.096.229**	**850.793**
Current contributions and taxes	**2017**	**2018**
Social insurance	7.736.676	9.839.872
Unemployment benefit	238.177	16
Other social debt	0	613.548
Corporate tax	35.629	7
VAT to be paid	530.143	0
Undue VAT	3.174.441	3.376.094
Salary contributions	2.746.520	1.788.042
Other contributions, taxes and assimilated payments	917.815	2.247.855
Other special funds, taxes and assimilated payments	149.082	176.565
Total increase in current contribution and tax debt	**14.998.339**	**18.041.999**
Current contributions and taxes	**2017**	**2018**
Social insurance	7.948.101	9.405.752
Unemployment benefit	238.866	23.235
Working insurance contribution	0	554.114
Other social debt	35.702	3.468
Undue VAT	3.174.441	3.376.094
Salary contributions	2.751.558	1.825.565
Other contributions, taxes and assimilated payments	947.145	2.207.169
Other special funds, taxes and assimilated payments	147.963	176.601
Total decrease in current contribution and tax debt	**15.243.775**	**17.628.607**
Current contributions and taxes	**2017**	**2018**
Social insurance	499.502	933.622

Unemployment benefit	23.219	0
Working insurance contribution	0	59.434
Other social debt	3.461	0
Salary contributions	283.526	189.394
Other contributions, taxes and assimilated payments	35.666	76.353
Other special funds, taxes and assimilated payments	5.419	5.383
final balance 31.12.	**850.793**	**1.264.186**
Value of current contributions and taxes on 31st of Dec.	**850.793**	**1.264.186**

The financial debt represents amounts owed by the Company to the state budget, debt for which the state does not offer another counter performance or counter value.
The company has had no outstanding debts to the state budget at the date of the report.

18. OTHER DEBTS

The structure of the current taxes in balance at the date of the financial report is the following:

- lei

Other current debt	**2017**	**2018**
Advances received for orders	53.971	53.246
Salary debt	732.702	686.460
Staff guarantees	1.367.080	1.541.873
Payment dividends	236.083	311.285
Different creditors	243.367	246.083
Income in advance	325.370	2.084.303
Initial balance 01.01.	**2.958.573**	**4.923.250**

- lei

Other current debt	**2017**	**2018**
Advances received for orders	53.246	926
Salary debt	686.460	717.473
Staff guarantees	1.541.873	1.817.734
Payment dividends	311.285	351.785

Different creditors	246.083	210.684
Income in advance	2.084.303	3.093.307
Final balance on 31.12.	**4.923.250**	**6.191.909**
Value – other current debt on 31.dec.	**4.923.250**	**6.191.909**

19. OPERATING INCOME

The income represents the gross inflow of economic benefits generated within the normal performance of activity of the Company.

The income from hotel services (accommodation services) is recognized as income as the services are performed.

The operation incomes in sold on the date of financial reporting is thus presented:

- lei

Indicators	**Performed 31st of Dec.2017**	**%**	**Performed 31st of Dec.2018**	**%**
Income from accommodation services	19.011.302	31,24 %	27.271.369	34,26 %
Income from public food services	21.968.815	36,11 %	28.427.569	35,71 %
Income from treatment services	4.942.813	8,12%	8.265.554	10,38 %
Income from recreational services	8.995.892	14,78 %	9.985.773	12,54 %
Income from rent	673.074	1,11%	739.574	0,93%
Other income pertaining to turnover	4.534.767	7,45%	4.702.114	5,91%
Turnover	60.126.662	98,82 %	79.391.953	99,73 %
Other operating income	719.290	1,18%	217.453	0,27%
Operating income – total	**60.845.952**	**100%**	**79.609.406**	**100%**

20. EXPENSES

The expenses structure pertaining to operation is the following:

- lei

Indicators	Performed 31st of Dec.2017	Performed 31st of Dec.2018
Material expense		
Expenses regarding raw materials	73.200	64.559
Expenses regarding consumable materials	3.164.516	2.960.410
Expenses regarding inventory objects	1.268.665	2.747.755
Expenses regarding materials not stored	50.567	65.895
Expenses regarding electricity and water	7.687.307	8.072.678
Expenses regarding merchandise	7.185.362	9.248.288
Trade discounts received	-10.489	-21.010
Material expenses – total	***19.419.127***	***23.138.574***

- lei

Indicators	Performed 31st of Dec.2017	Performed 31st of Dec.2018
Third party expenses		
Expenses with maintenance and repairs	535.477	642.013
Expenses with rents	30.946	37.417
Expenses with insurance premiums	58.215	151.980
Expenses with studies and research	0	1.890
Expenses with personnel's training	0	13.756
Expenses with collaborators	851.040	806.813
Expenses regarding commissions and fees	38.031	313.754
Business, advertisement, publicity expenses	150.359	259.260
Expenses with the transport of goods and personnel	0	595
Travel, assignment and transfer expenses	34.155	43.021
Postal expenses and telecommunication taxes	75.895	250.330
Expenses with banking and assimilated services	148.520	159.887
Other service expenses – third parties	2.726.883	2.450.946
Third party expenses – total	***4.649.522***	***5.131.662***

- lei

Indicators	Performed 31st of Dec.2017	Performed 31st of Dec.2018
Contributions and taxes		
Expenses with other contributions, taxes	1.271.518	3.031.383
Contributions and taxes – total	***1.271.518***	***3.031.383***
Salary expenses		
Expenses with staff salaries	18.621.471	27.061.556
Expenses with meal tickets given to employees	1.938.864	2.362.798
Expenses regarding social insurance and protection	4.713.025	34.784
Expenses with the insuring working contribution	0	613.548
Salary expenses – total	***25.273.360***	***30.072.686***
Amortizations, adjustments, provisions		
Claim losses and different debtors	0	51.068
Other operational expenses	99.734	121.595
Operational expenses regarding amortizations	6.377.566	6.113.162
Operational expenses regarding risks and expenses	0	380.386
Operational income regarding risks and expenses	-218.621	0
Operational expenses regarding current asset adjustments	0	580.936
Income from adjustments for the depreciation of current assets	0	-51.068
Amortizations, adjustments, provisions – total	***6.258.680***	***7.196.079***
Operational expenses – total	**56.872.206**	**68.570.385**

21. FINANCIAL INCOME AND EXPENSES

The financial incomes and expenses in sold of the date of the financial reporting is thus presented:

- lei

Indicators	Performed 31st of Dec.2017	Performed 31st of Dec.2018
Financial expenses		

Expenses due to differences in exchange rates	19.762	22.607
Expenses regarding interests	0	0
Other financial expenses	0	73.933
Financial expenses – total	**19.762**	**96.540**

- lei

Indicators	**Performed 31st of Dec.2017**	**Performed 31st of Dec.2018**
Financial incomes		
Incomes from short-term financial investments	29.933	39.906
Incomes from ceased financial investments	6.946	0
Incomes due to differences in exchange rates	51.689	32.829
Incomes from interests	11.396	9.516
Other financial incomes	159.996	0
Financial incomes – total	**259.960**	**82.252**
Financial result	**240.198**	**-14.289**

22. CORPORATE TAX

The company has calculated the corporate tax according to the financial Romanian law in the amount of 410.488 lei. In the calculation of profit for the financial year of 2018, the company has respected the general accounting principles and the evaluation rules taken in consideration to acquire fiscal facilities.

Starting with 2017 the company falls within the calculations of the tax in mixed regime, calculating along the year a specific value worth 353.554 lei.

Corporate tax pertaining to the financial year includes the current and deferred contribution.

Reconciliation between the financial year and result, as present in the corporate tax statement, is the following:

- lei

Period	**values**
01.01.2018– 31.12.2018	

I.	Total income, *from which:*	79.742.725
A.	Total taxable income	15.958.320
II.	Total expense, *from which:*	69.487.087
	Total non-deductible expenses	2.225.290
B.	Total taxable expenses	13.223.223
	Legal reserve	108.263
III.	Gross profit (I – II)	10.255.638
IV	Taxable profit (A –B)	2.626.834
V.	Corporate tax	420.294
VI.	Sponsorships	9.806
VII.	Final owed corporate tax (V – VII)	410.488
Owed corporate tax		**410.488**

Deferred income tax

Deferred income tax is set by the Company using the balance method for those temporary differences which occur in the tax base of the contribution for assets and debts and their accounting value, used for reporting in the individual financial statements.
The deferred income tax is calculated based on the tax percentages which are to be applied to temporary differences at their reevaluation, based on the law in effect at the date of report.

Starting with 2017 the company falls within the calculations of the tax in mixed regime, calculating along the year a specific income tax value worth 353.554 lei.

The significant parts of the active deferred income tax included in the financial statements concluded on 31st of December 2018, required at a percentage of 16%, are the following:

- lei

Indicators	**Performed 31st of Dec.2017**	**Performed 31st of Dec.2018**
Immobilizations	0	0
Deferred income tax - debts	**0**	**0**
Claims	5.052	0
Deferred income tax - asset	**5.052**	**0**
Deferred income tax	**5.052**	**0**

Corporate tax is recognized in the global result statement or in other elements of the global result when tax pertains to the capital elements.

Corporate tax recognized in the global result Statement

- lei

Indicators	**Performed 31st of Dec.2017**	**Performed 31st of Dec.2018**
Current tax		
Expenses with current tax of the year	176.589	410.488
Expenses with specific income tax	353.554	353.554
Deffered income tax		
Expenses with deferred income tax recognized during the year	0	5.052
Income with deferred income tax recognized during the year	0	0
Total of expenses with corporate tax recognized during the period	**530.143**	**769.094**

23. SHARE RESULT

The share profit is calculated dividing the profit attributable to shareholders at the weighted average of the number of ordinary shares on the market during the period according to IAS 33 – "Share result".

There are no instruments for net assets or share options which may dissolve the share profit.

- lei

Share result	**Performed 31st of Dec.2017**	**Performed 31st of Dec.2018**
Net profit attributable to shareholders	3.683.802	10.147.375
Weighted average number of ordinary shares	496.149.456	496.149.456
Share profit	0,0074	0,0201
Gross dividend per share	0,0045	0,0093

24. INFORMATION REGARDING EMPOYEES

Within the company, in the work reports which regard the syndical nature elements, the staff interests are represented by the employee representatives. The company has no obligations for the pension scheme, other than the ones provided by the law regarding the unitary system of public pensions, with further modifications and additions.

Expenses with employee benefits (employees and members of management and governing bodies), recouped on gross salaries and social contributions were the following:

- lei

Elements	**2017**	**2018**
Expenses with salaries	19.472.511	27.868.369
Expenses with meal tickets given to employees	1.938.864	648.332
Expenses regarding social insurance and protection	4.713.025	1.186.057
Employee benefit expenses - total	**24.717.030**	**30.879.499**

(1) indemnities given to the management and governing council (director with mandate contract), financial and internal auditors:

- the sum of 527.824 lei, representing salaries of the members of the Management Board and manager of the company, who have a mandate contract with the company

- the sum of 25.000 lei as fees of the statutory auditor S.C Leocont Expert S.R.L

- the sum of 47.630 lei internal audit services offered by S.C. Associated Business Auditors S.R.L.

(2) The company has no contracted obligations regarding the pension payment by former members of the Board of Directors and Supervisors, and therefore no agreements of such nature are accounted.

(3) The company has not and does not give credits or advances (except salary advances and/or to cover delegation expenses) to members of the Board of Directors. The company has not accounted agreements of such nature in balance at the end of 2018.

25. MAIN ECONOMIC-FINANCIAL INDICATORS

The main economic-financial indicators:

No.	Calculation elements	Symbol	Formula	Calculation values in the analyzed period	Period

				12 months 2017	12 months 2018	previous	current
1.	Indicator of current liquidity	rL_g	$rL_g = Ac / Dc$	19.497.534,35 / 7.360.997,90	31.459.809,47 / 18.306.004,73	2,65	1,72
2.	Degree of indebtedness	gÎ	gÎ = $K_{împr}$ / K_{pr} x100	0,00 / 203.413.081,35 x 100	0,00 / 211.436.046,72 x 100	0,00	0,00
3.	Degree of indebtedness on term	gÎt	gÎt = $K_{împr}$ / K_{ang} x100	0,00 / 203.413.081,35 x 100	0,00 / 211.436.046,72 x 100	0,00	0,00
4.	Rotation speed of debits - clients	$V_{rot}Cr_{com}$	$V_{rot}Cr_{com} = Cr_{com}$ x CA x Nz	4.436.200,38 / 60.126.662,08 x 365	6.948.525,31 / 79.391.953,12 x 365	26,93	31,95
						nr. de zile	
5	Rotation speed of fixed assets	$V_{rot}Ai$	$V_{rot}Ai$ = CA / Ai	60.126.662,08/ 193.880.061,11	79.391.953,12/ 202.725.201,00	0,31	0,39
						nr. de ori	

The risk of bankruptcy through the scores' method: the Altman method

Rates involved in the determination of the „Z" score					weight percentage	Score acquired	
rate no.	formula of rates involved		Calculation values in the analyzed period				
			12 months2017	12 months2018		12 luni 2017	12 luni 2018
r1	Current asset/ total asset	Ca / Ta	19.497.534,35 / 213.934.154,29	31.459.809,47 / 234.314.784,03	1,2	0,1094	0,1611
r2	Reinvested profit/ total asset	$Reinv_{pr}$ / Ta	1.646.655,86 / 213.934.154,29	4.590.501,14 / 234.314.784,03	1,4	0,0059	0,0274
r3	Current result before taxation/ total asset	Pb / Ta	4.213.944,57 / 213.934.154,29	11.024.732,34 / 234.314.784,03	3,3	0,0650	0,1553
r4	Stock capitalization / Loans	K_{BVB} / D_{tml}	108.160.581,41 / 1.075.771,62	147.844.836,80 / 1.099.039,53	0,6	60,3254	81,2590
r5	Turnover/ Total asset	T / Ta	60.126.662,08 / 213.934.154,29	79.391.953,12 / 234.314.784,03	0,99	0,2782	0,3354
Z = 1,2 r1 + 1,4 r2 + 3,3 r3 + 0,6 r4 + 0,99 r5						**60,7839**	**81,9383**
Z ≤ 1,5		very risky area, imminent bankruptcy				-	-
1,51 ≤ Z ≤ 1,8		high risk area, bankruptcy within a year				-	-
1,81 ≤ Z ≤ 2,70		uncertain area with high risk of bankruptcy, liquidity deficit				-	-
2,71 ≤ Z ≤ 2,99		area with low risk of bankruptcy, solvable				-	-
Z ≥ 3		area without high risk of bankruptcy (inexistent), high solvability				**60,7839**	**81,9383**

Formula of Altman function: Z = 1,2 r1 + 1,4 r2 + 3,3 r3 + 0,6 r4 + 0,99 r5

Variables used:

r1 current asset/ total asset – structure rate of asset and measures the flexibility degree of the business operator

r2 reinvested profit/ total asset – indicates the contribution of the business operator to the investment financing

r3 gross profit / total asset – quantifies the performance of the patrimony asset

r4 market value of stock / long-term obligations – quantifies a part of the indebtedness degree

r5 turnover/ total asset – expresses the patrimony performance

The general liquidity exceeds the minimum safety level (recommended threshold 1.8-2.0), therefore assuring a high capacity for the payment of short-term outstanding obligations. For company creditors, this is the insurance for recovery of borrowed sums.

The degree of indebtedness as report between the total debt and the total asset expresses how the company finances its assets by borrowed funds (credits).

While the company turnover has increased, the Company claims towards clients have registered in the current period an increased trend, which has caused a negative impact on the medium recovery period; it increases with approx. 5 days.

The efficiency of the management of current assets through the value of the turnover is placed at the level of the previous year, registering a slight improvement.

The “scoring” method has the objective of providing some predictive models for bankruptcy risk evaluation of the company. This method is based on statistical techniques of the discriminant analysis.

By applying the discriminant analysis through the Alman method, a “Z” score is acquired which represents a straight-line function of a set of rates. The flexibility degree of the Company is maintained at the level of the previous year. A decrease of the company contribution to the investment financing has been noticed in comparison with the previous year, following the allocation of dividends, whereas the patrimony performance is in a slight increased trend. The market value of the share capital of the Company is at an increased trend and the medium and long-term indebtedness degree is constantly decreasing.

Following the bankruptcy risk evaluation of the company through the Alman method, the solvability has been noticed to improve, it is high and without bankruptcy risk (inexisting).

26. TRANSACTIONS WITH RELATED PARTIES

The company is involved in a significant number of transactions with related companies (companies controlled by S.I.F. Transilvania S.A.).

The board revises the trading terms and the conditions of regular performance of transactions and sees that these transactions are made based on terms and conditions similar to the terms and conditions accepted by third parties. No additional information can be provided regarding the guarantees given or received because they were not necessary.

Provisions have been made regarding the doubtful claims over the value of outstanding balances and regarding non-recoverable or doubtful claims owed by related parties worth 512.405 lei..

On 31.12.2018 the stocks in relation with the related parties were the following:

- lei

Related parties	Claims	Debts
S.C. Transilvania Travel&Hotels S.A.	4.825.773	760
S.C. Turism Lotus Felix S.A.	1.183.028	97.891
S.C. Internațional Trade&Logistic Center S.A.	4.213	0
TOTAL	**6.013.014**	**98.651**

The sales and purchases by related parties do not include taxes pertaining to transactions (VAT).

In 2015, the Company has made the following transactions with related entities:

- lei

Related parties	Purchases	Sales
S.C. Transilvania Travel&Hotels S.A.	0	5.953.011
S.C. Turism Lotus Felix S.A.	0	958.182
S.C. ARO Palace S.A.	4.423	0
S.C. International Trade&Logistic Center S.A	56.701	0
TOTAL	**61.124**	**6.911.193**

27. MANAGEMENT OF SIGNIFICANT RISKS

The specific of the activity performed determines the company exposure to a variety of risks of general nature, but also specific risks related to financial instruments owned as well as to financial markets it operates.

The risk is defined as the capacity to register unfavorable deviation in results in comparison with the expected level due to random fluctuations.

The significant risks represent the risks with high impact on the patrimony and/or reputation situation of the company.

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

In the activity performed, the company can encounter uncontrollable risks which are generally related to external factors such as macroeconomic conditions, law changes, changes related to the competitive environment etc.

Usually, the company encounters controllable risks for which policies and active management procedures are adopted (analysis, monitoring and control). These risks are related to internal factors such as the nature of the activity performed, the complexity of the management structure, the quality of the staff etc.

According to IFRS 7 – “Financial instruments: recognition and evaluation”, art. 33-42, the financial instruments owed by S.C. Turism Felix S.A. are affected by many types of risks.

The main significant risks, to which the company is exposed, besides risks related to prudential diversification of the portfolio, are: exchange rate risk, interest rate risk, credit risk, liquidity risk, operational risk

Exchange rate risk

The company is easily exposed to the fluctuations of the exchange rate, mainly in terms of cash in currency and claims in other currencies, as well as the claims and obligations in lei, but which are supported by contracts in relation with other currencies, usually in EURO and/or USD. The company has not used nor uses at the moment instruments derived in order to protect itself from the fluctuations of the exchange rate of the leu in relation with other currencies.

In the financial year 2018, the income acquired from the favorable exchange rate differences has been higher with 10.222,65 lei in comparison with the expenses with unfavorable exchange rate differences.

Interest rate risk

The operational cash flows of the company are affected by the variations of the interest rate, mainly in the line of credit contracted in terms of ROBOR.

Credit risks

The credit risk is represented by the risk of registering losses or the risk of not performing the estimated profits due to not meeting the financial obligations.

On 31st of December 2018, the company did not own security interests as security, improvements of credit ratings or outstanding financial assets.

Liquidity risks

Liquidity represents the capacity of the company to insure the necessary funds to meet all its direct and indirect payment obligations at a reasonable price at any moment. The liquidity risk is the actual or potential risk to which profits and company stock may be submitted following its lack to meet the payment obligations at due date.

The analysis of assets and debt was made based on the period remaining from the date of the balance until the contractual due date for the financial year 2018, therefore:

- lei

Explanations	***Grade***	***Accounting value***	***Under 3 months***	***Between 3 and 12 months***	***Higher than 1 year***	***Without preset maturity***
Assets						
Cash and cash equivalents	8	18.922.103	17.237.800	1.754.303	0	0
Trade claims and other claims	6 - 7	11.382.412	7.607.162	2.905.744	869.506	0
Stocks	5	1.230.328	1.230.328	0	0	0
Other current assets	1 - 3	202.725.201	0	0	0	202.725.201
Total assets		**234.330.044**	**26.075.290**	**4.660.047**	**869.506**	**202.725.201**
Debts						
Provisions	14	1.479.426	0	380.386	1.099.040	0
Trade claims and other claims	13 - 18	21.414.572	9.805.628	7.215.162	4.393.782	0
Total debt		**22.893.998**	**9.805.628**	**7.595.548**	**5.492.822**	**0**
Surplus liquidity in the period		**211.436.046**	**16.269.662**	**-2.935.501**	**-4.623.316**	
Accumulated surplus liquidity			**16.269.662**	**13.334.161**	**8.710.845**	**8.710.845**

Market risk

The market risk is defined by the risk of fair value or future treasury flows of a financial instrument to fluctuate due to market price changes. It includes three types of risks: exchange rate risk, interest rate risk and other price risks.

The objective of managing the market risk is to manage and control the exposures to the market risk within acceptable parameters and in the same time to optimize the productivity of the investment.

Interest rate risk

Operational cash flows of the company are affected by the variations of the interest rate, mainly in the line of credit contracted in terms of ROBOR.

Sensibility analysis

Sensibility analysis shows the effect on the profit or loss and on the equities from the current period if a potential change in the variable of relevant risk would have been reasonably applied to the risk exposure on the date of the balance.

The sensibility is more decreased in 2018 than in 2017 due to the decrease of existent loans occurred when the company reached due date.

- lei

	2017	2018
depreciations in relation to currencies 31st of December		
- decrease with 0.5 p.p. pertaining to the credit acquired	0	0
- decrease with 0.5 p.p. pertaining to the available	-10.220	-5.495
Impact in result on 31st of Dec.	**-10.220**	**-5.495**

The profit is more sensitive to decreases in interest rates than to its increase due to loans with variable interest rates.

Exchange rate risk

The company is easily exposed to the fluctuations of the exchange rate, mainly in terms of cash in currency and claims in other currencies, as well as the claims and obligations in lei, but which are supported by contracts in relation with other currencies, usually in EURO and/or USD.

The company has not used nor uses at the moment instruments derived in order to protect itself from the fluctuations of the exchange rate of the leu in relation with other currencies.

In the financial year 2017, the income acquired from the favorable exchange rate differences have been higher with 10.222,65 lei in comparison with the expenses with unfavorable exchange rate differences.

Sensibility analysis

Sensibility analysis shows the effect on the profit or loss and on the equities from the current period if a potential change if the variable of relevant risk would have been reasonably applied to the risk exposure on the ate of the balance.

A depreciation of the leu on 31st of December according to the facts indicated below in comparison with EURO and USD would have determined an increase in the company result with the values presented below. This analysis implies that all the other variables remain constant:

- lei

	2017	2018
depreciations in relation to currencies on 31st of Dec.		
- depreciations with 10 % in relation to €	-101.890	-231.109

- depreciations with 10 % in relation to $	-14.217	-14.920
Impact in result on 31st of Dec.	**-116.107**	**-246.029**

An appreciation of the leu on the 31st of December in comparison to the other currencies would have brought the same effect, but oppositely, on the amounts presented above, taking in consideration that all variables remain constant.

Operational risk

The operational risk is defined as the risk of registering losses or not performing the estimated profits due to internal factors such as the inadequate course of different internal activities, the existence of a staff or inappropriate systems or due to external factors such as economic conditions, changes in the stock market, technological progress. The operational risk is inherent to all activities of the Company.

The defined polities for operational risk management have taken into account each type of event which may generate significant risks and their means of action, in order to eliminate or reduce the financial or reputation losses.

28. STOCK ADEQUACY

The policy of the board regarding the adequacy of the stock is concentrated on maintaining a solid stock basis for the purpose of supporting the constant development of the Company and of reaching the investment objectives.

The Company equities include the share capital, different types of reserves and the reported result. The equities were 203.413 lei on 31st of December 2017, respectively 211.436.047 lei on 31st of December 2018.

The company is not the object of legal claims for stock adequacy.

29. EVENTS AFTER BALANCE

The net profit made in 2018 is of 10.255.638 lei and the allocated legal reserve is of 108.263 lei.

According to the proposal to share the profit, the Company will assign the dividends from the 2018 profit in gross value of 4.614.189,94 lei. According to the regulations in effect, the corporate tax regarding these dividends, estimated at 22.500 lei will be borne by the beneficiary, calculated and retained by the Company at the date of payment, no later than 31.12.2019.

Except the facts mentioned above, we have no knowledge regarding the events after the date of the balance which may lead to significant influences on the data presented in the individual financial statements for the financial year 2018.

30. THE PROPOSAL OF THE BOARD OF DIRECTORS REGARDING THE DISTRIBUTION OF THE NET PROFIT

The net profit made in 2018 is of 10.255.637,92 lei.

At the same time, the Board of Directors submits to the General Assembly of Shareholders the distribution of the company net profit acquired in 2018, as follows:

➢ to the legal reserve according to art. 183 from Trading companies Law 31/1990, republished	108.262,87 lei
➢ Allocation of dividends to shareholders	4.614.189,94 lei
➢ Distribution to other reserves – financing sources	5.533.185,11 lei

The value of the gross dividend for assignment to company shareholders is of 0.0093 lei/share, to which a net dividend per action of 0.0088 lei/share corresponds to a tax quote of 5% and the total value of the gross dividend is 4.614.189,94 lei.

The individual financial statements have been approved by the Board of Directors on 18th of February 2019.

General Manager, **Chief Accountant,**

ec. Serac Florian **ec. Popa Marcel**

STATEMENT

The undersigned SERAC FLORIAN as general manager of S.C. TURISM FELIX S.A. and POPA MARCEL as general accountant of S.C. TURISM FELIX S.A., declare the following:

- The individual financial statements related to 2018 have been concluded based on the provisions included in the Accounting Regulations according to the International Financial Reporting Standards („IFRS”) applied to trading companies whose real estate is approved in transactions performed on a regulated market, approved by the Order of the ministry of public finance no. 2.844/2016, with further modifications and additions.
- The annual accounting reports from 31st of December 2018 have been concluded according to those provided in point 1.1 from Addendum 3 to the Order of the ministry of public finance no. 10/2019 regarding the main aspects related to the elaboration and registration of the annual financial statements and of the annual accounting reports of the economic operators at the territorial units of the Ministry of Public Finance, as well as for the modification and addition of certain accounting regulations.
- The accounting policies used for the elaboration of the Individual Financial Statements are according to the applied accounting regulations;
- the Individual Financial Statements are according to the International Financial Reporting Standards („IFRS”), offer a precise display of the financial position, the financial performance and the other information related to the performed activity;
- The company performs its activity on a constant basis
- Until the date of the present statement, we have not been informed of any details, events, circumstances which may significantly alter the above statements.

General manager,	Chief accountant,
ec. Serac Florian	ec. Popa Marcel

INDEPENDENT AUDITOR'S REPORT

TURISM FELIX S.A. Baile Felix

December 31st 2018

Nr. 17/13.03.2019

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Shareholders
of TURISM FELIX S.A. Baile Felix

Audit Report on the Annual Financial Statements

Opinion

1 We have audited the individual financial statements of the company TURISM FELIX S.A. (Company), with headquarters in Băile Felix Victoriei Street, Sânmartin commune, Bihor county, identified by the unique fiscal registration code RO 108526, which comprise the balance sheet as of December 31st 2018, the income statement, the statement of changes in equity and the cash flow statement for the year then ended, and a summary of significant accounting policies and explanatory notes.

2 The individual financial statements at December 31st 2018 are identified as follows:

- Total equity: 211.436.047 lei
- Overall result for the period – net profit: 10.255.638 lei

3 In our opinion, the accompanying separate financial statements give a true and fair view of the Company's financial position as of December 31, 2018, as well as of the financial performance and cash flows for the year then ended, in accordance with Order 2844/2016 by the Ministry of Public Finance for the approval of accounting regulations in line with International Financial Reporting Standards applicable to companies whose securities are admitted to trading on a regulated market.

Basis for our opinion

4 We conducted our audit in accordance with the International Standards on Auditing ("ISA"), EU Regulation no. 537/2014 of the European Parliament and of the Council (hereinafter "the Regulation") and Law no. 162/2017 ("the Law"). Our responsibilities under these standards are described in detail in the *"Auditor's Responsibilities in an Audit of Financial Statements"* section of our report. We are independent of the Company, according to the Ethics Code of Professional Professionals issued by the International Ethics Standards Board for Accountants (IESBA Code), according to the ethical requirements that are relevant for the audit of the financial statements in Romania, including *the Regulation* and *the Law*, and we have fulfilled our ethical responsibilities according to these requirements and according to the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit issues

5 Key audit issues are those issues that, based on our professional judgment, have been of the highest importance for the audit of the current period's financial statements. These issues have been addressed in the context of the audit of the financial statements as a whole and in the formation of our opinion on them and we do not provide a separate opinion on these key issues.

The main issues taken into consideration were:

1. Assessment of property, plant and equipment
(Note 1 to the financial statements)

Risk: Management assertions on the valuation of property, plant and equipment can present significant misstatements in the absence of using into practice the applicable accounting regulation for the measurement of property, plant and equipment, in accordance with IAS 16 Property, Plant and Equipment, at the reporting date.
Our response to these risks of material misstatement: In assessing property, plant and equipment, we have tested the nature of expenditures capitalized in the cost of the upgraded assets during the year 2018. We have taken into account the risks identified in the accounting treatments presented by the Company in the financial years previous. Regarding the upgrades to existing property, plant and equipment at the reporting date, we have performed procedures to obtain reasonable assurance that there is no material misstatement of these assertions.

2. Inventory valuation

(Note 5 to the financial statements)

Risk: Management assertions regarding inventory valuation may present significant misstatements in the sense of non-application of applicable accounting inventory valuation regulations at the reporting date, at the lower of cost and net realizable value.

Our response to these risks of material misstatement: In terms of inventory valuation, we have applied tests to observe the nature of the costs incurred in the cost of the services provided. We tested the depreciation of inventories as estimated by the management of the company taking as a basis the net realizable value and we performed procedures in which we obtained reasonable assurance that there is no material misstatement of these assertions.

3. Assessment of receivables

(Notes 6 and 7 to the financial statements)

Risk: According to the requirements of the applicable accounting regulations, management conducts assertions about the measurement of receivables presented at the reporting date by presenting them at the expected value.

Our response to the risks of material misstatement of Company management assertions related to the measurement of these receivables at the reporting date was materialized in audit procedures that tested the recognition of doubtful receivables as well as recalculation tests for impairment adjustments of receivables for those receivables whose maturity has been exceeded by more than one year, respectively receivables in dispute and no significant distortions were found.

4. Continuity of the activity

(Notes 25 and 27 to the financial statements)

Risk: The entity's management is responsible for assessing the assumptions of the company's operations' continuity for the preparation of the financial statements.
Our answer was to understand the risks of material misstatement in connection with management assertions on the business' continuity, and we analyzed aspects of the Company's evolution, the revenue and expenditure budget approved for the financial year 2019, we examined the minutes and reports of the Board of Directors' Meetings, and General Meetings of Shareholders, as well as contracts for the financial year 2019.

All of these risks have led us to believe that:
- the presumption of continuity of activity in the preparation of the annual financial statements assumed by the management of the Company is appropriate and
- we have not identified any significant uncertainty that might cast doubt on the Company's ability to continue its business in a foreseeable future.

Other information - Administrators' report

6 Administrators are responsible for compiling and presenting other information. That other information includes the Administrators' Report but does not include the financial statements and the auditor's report thereon..

Our opinion on the financial statements does not cover this other information, and unless expressly stated in our report, we do not express any assurance about it.

With regard to the audit of the financial statements for the year ended 31 December 2018, it is our responsibility to read that other information and, in this regard, to assess whether that other information is materially inconsistent with the financial statements or with the knowledge that we have or we have obtained during the audit, or if they appear to be materially distorted.

As far as the Administrators' Report is concerned, we have read and reported on whether it has been prepared in all material respects in accordance with Order 2844/2016 issued by the Ministry of Public Finance for the approval of the Accounting Regulations in accordance with International Financial Reporting Standards, Chapter III, points 15-19.

Based solely on the activities to be performed during the audit of the financial statements, in my opinion:

a) The information presented in the Administrators' Report for the financial year for which the financial statements were prepared is consistent, in all material respects, with the financial statements;
b) The Administrators' Report was drawn up, in all significant aspects, in accordance with the Order of the Minister of Public Finance no. 2844/2016 for the approval of the

Accounting Regulations in line with International Financial Reporting Standards, Chapter III, points 15-19.

In addition, based on our knowledge and understanding of the Company and its environment acquired during the audit of the financial statements for the year ended December 31st 2018, we are required to report whether we have identified significant misstatements in the Administrators' Report. We have nothing to report on this issue.

Responsibilities of management and those responsible for governance for the individual financial statements

7 The management of the company is responsible for the preparation and fair presentation of the separate financial statements in accordance with International Financial Reporting Standards and with the OMFP no. 2844/2016 of 12 December 2016 for the approval of the Accounting Regulations in line with the International Financial Reporting Standards and for such internal control as management considers necessary to allow the preparation of financial statements free of material misstatement, whether due to fraud or error.

8 In preparing the individual financial statements, the management is responsible for assessing the Company's ability to continue its operation, presenting, where appropriate, aspects referring to the business continuity and for using accounting based on the business continuity, unless the management either intends to liquidate the company or to stop its operations, or has no other realistic alternative.

9 The persons in charge with the governance are responsible for the surveillance of the financial reporting process of the Company.

Auditor's responsibilities in an audit of financial statements

10 Our objectives are to obtain reasonable assurance on whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, as well as issuing an auditor's report which includes our opinion. Reasonable assurance represents a high level of assurance, but there is no guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement, if any. Distortions may be caused either by fraud or by error and are considered significant if reasonable assurance can be given that they, individually or collectively, will influence the economic decisions of users, when made on the basis of these financial statements.

11 As part of an audit in accordance with ISAs, we express a professional judgment and maintain professional scepticism throughout the audit. Also:

- We identify and evaluate the risks of material misstatement of financial statements, whether due to fraud or error, we design and execute audit procedures in response to those risks, and obtain sufficient and appropriate audit evidence to provide a basis for our opinion. The risk of not detecting significant misstatement caused by fraud is higher than the failure to detect a significant misstatement caused by error, as fraud may imply secret, deceit, deliberate omissions, false statements, and avoidance of internal control.
- We understand the internal control relevant to the audit in order to design audit procedures that are appropriate to the circumstances, but without the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- We assess the appropriateness of the accounting policies used and the reasonableness of the accounting estimates and related disclosures made by management.
- We formulate a conclusion on the appropriateness of management's use of accounting based on the continuity of activity, and determine, based on the audit evidence obtained, whether there is significant uncertainty about events or conditions that could generate significant doubts about the company’s ability to continue its activity. If we conclude that there is significant uncertainty, we must draw attention to it in the auditor's report on the accompanying financial statements or, if these presentations are inappropriate, change our opinion. Our findings are based on audit evidence obtained by the date of the auditor's report. However, future events or conditions may cause the Company not to continue operating on a business continuity basis.
- We evaluate the presentation, structure and content of financial statements, including disclosures, and the extent to which the financial statements reflect the transactions and events underlying them in a manner that results in a fair presentation.

12 We communicate to those responsible with governance, among other things, the planned area and timing of the audit, as well as the main findings of the audit, including any significant internal control deficiencies that we identify during the audit.

13 We also provide to those responsible for governance a statement that we have complied with ethical requirements relevant in terms of independence and that we have communicated all relationships and other matters which we reasonably might assume that affect our independence and where appropriate, the corresponding protective measures.

14 Among the aspects communicated to those in charged with the governance we determine which ones are the most important for the audit of financial statements of the current period and therefore which ones represent key audit aspects. We describe these aspects in the auditor's report, unless laws or regulations prohibit public disclosure of the aspect or of the case in which, in extremely rare circumstances, we believe that should not be

communicated in our report since they are reasonably envisaged that the public interest overcomes the negative consequences of this communication.

Report on other legal and regulation provisions

15 We were appointed by the General Meeting of Shareholders on 07.12.2017 by additional act no. 1 from 08.12.2017 to the services no.8 of 28.08.2014 to audit the financial statements of TURISM FELIX S.A. for the financial years 2017, 2018, 2019. The total uninterrupted duration of our commitment is 4 years, covering the financial years ended December 31st , 2015, to December 31st, 2018.

We confirm that:

• Our audit opinion is in line with the additional report submitted to the Audit Committee of the Company, which we issued on the same date that we issued this report. Also, in conducting our audit, we have retained our independence from the audited entity.

• We did not provide for the Company the non-audited non-audited services referred to in Article 5 (1) of EU Regulation no. 537/2014.

On behalf of

LEOCONT EXPERT SRL

Oradea, Bihor County, Piata 1 Decembrie Street, no. 15, ap.3

Member of the Chamber of Financial Auditors of Romania (CAFR) under no. 164

Financial Auditor

Bochiș Leonica

Member of the Chamber of Financial Auditors of Romania (CAFR) under no. 706

Oradea, March 13th 2019