

A.B.A. AUDIT S.R.L.

S.C. A.B.A. Audit S.R.L.

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INDEPENDENT AUDITORS' REPORT

(Free translation)

To the Shareholders of

S.C. TURISM, HOTELURI, RESTAURANTE MAREA NEAGRĂ S.A MANGALIA

1. We have audited the accompanying consolidated financial statements of SC Turism, Hoteluri, Resturante Marea Neagră SA Mangalia („the Company”), which comprise the statement of financial position as at December 31, 2015, and the statement of comprehensive income, statement of changes in equity, statement of cash flows and notes to consolidated financial statements for the year then ended, represented by:

- Net profit:	4,802,150 lei
- Incomes:	42,517,131 lei
- Total assets:	260,201,539 lei

Management's Responsibility for the Consolidated Financial Statements

2. The Company's Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and Order no. 1286/2012 approving the Accounting Regulations in accordance with International Financial Reporting Standards, applicable to companies whose securities are admitted to trading on a regulated market, as amended and supplemented.

3. This responsibility includes:

i) implementing and maintaining internal control relevant in order to prepare and fair presentation of these consolidated financial statements that are free from material misstatement, whether due to fraud or error;

ii) selecting and applying appropriate accounting policies;

iii) achieving reasonable accounting estimates for the circumstances.

Auditor's Responsibility

4. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

5. We conducted our audit in accordance with International Standards on Auditing (ISA) elaborated by International Federation of Accountants (IFAC) and adopted by Financial Auditors' Chamber of Romania (CAFR). Those Standards require that, we must agree with ethical requirements and planning and performing the audit in order to obtain reasonable assurance about whether the financial statements are free from material misstatement.

6. Description of an audit:

i) An audit involves performing procedures in order to obtain audit evidences about the amounts and other information published in the financial statements.

ii) The procedures selected depend on the auditor's judgment, including risk assessment that financial statements disclose material misstatement due to fraud or error. In that risk assessment, the auditor considers internal control relevant to the preparation and fair presentation of the entity's financial statements in order to plan audit procedures appropriate in the circumstances, but not the purpose of expressing an opinion on the effectiveness of the Company's internal control.

iii) An audit shall also evaluate the degree of appropriateness of accounting policies used and the extent to which accounting estimates made by management are reasonable and the overall financial statement presentation.

We consider that the audit evidences we have obtained are sufficient and appropriate in order to form a basis for our audit opinion.

Basis for Qualified Opinion

7. On 31 December 2014, the Company reflected in the consolidated financial statements revaluation surpluses adjustments from previous years due to the Erratum lists submitted by the independent external evaluator specifying that the related fair value includes the value of all buildings installations or value of all the upgrades made to date. Following these errata, the Company has not estimated and presented on 31 December 2015, the fiscal effect on the current income driven by the fair value adjustments as required by IAS 12 Income Taxes. Applying the audit procedures regarding the impact of the adjustments made, we could not estimate the amount of current tax asset, that the Company would have had to reflect in the statement of financial position as at 31 December 2015, respectively as at 31 December 2014, and in the absence of these information we are unable to quantify the possible impact that would have on the consolidated financial statements of the Company for the financial year ended 31 December 2015.

Qualified auditor's opinion

8. In our opinion, except for the effects of the matter described in the *Basis for Qualified Opinion*, paragraph 7, the consolidated financial statements present fairly, in all material respects, the financial position of SC Turism, Hoteluri, Resturante Marea Neagră SA Mangalia as at December 31, 2015, and its financial performance and its cash flows for the year then ended in accordance with Accounting Law no. 82/1991, republished, including subsequent amendments and additions, Order of the Minister of Public Finance of Romania no. 881/2012 on application by companies whose securities are admitted to trading on a regulated market of International Financial Reporting Standards and the Order of the Minister of Public Finance no. 1286/2012 for approval the Accounting Regulations in accordance with International Financial Reporting Standards applicable to companies whose securities are admitted to trading on a regulated market, including subsequent amendments and additions.

Report on the Consolidated management report

9. The management is responsible for preparing and presenting the consolidated management report in accordance with Order of the Minister of Public Finance no. 1286/2012 for approval of the Accounting Regulations in accordance with International Financial Reporting Standards applicable to companies whose securities are admitted to trading on a regulated market, chapter III, Section 4, points 27 – 28, that is free from material misstatements and is also responsible for the internal control considered necessary for the preparation of the consolidated management report that is free from material misstatement due to fraud or error.

The Consolidated Management Report presented at page 1 to page 30 and is not part of the consolidated financial statements. Our opinion on the consolidated financial statements does not cover the consolidated management report.

Regarding our audit on the consolidated financial statements, we read the consolidated management report annexed to the consolidated financial statements and presented at page 1 to page 30 and we conclude that:

- a) In the consolidated management report, we did not find information that is not consistent, in all material aspects, with the information presented in the annexed consolidated financial statements;
- b) The consolidated management report identified above includes, in all material aspects, the information requested by Order of the Minister of Public Finance no. 1286/2012 for approval of the Accounting Regulations in accordance with International Financial Reporting Standards, chapter III, Section 4, points 27 - 28;
- c) Based on our knowledge and understanding acquired during the audit of the consolidated financial statements for the financial year ended at 31 December 2015, regarding the Company and its environment, we did not identify any informations contained in the consolidated management report that are significantly misstated.

Observations

10. Without further qualifying our opinion on the consolidated financial statements prepared by the Company for the financial year ended 31 December 2015, we consider necessary to present the existence of litigations - as disclosed in Note 24 "Contingencies" may involve risks of ownership of assets, along with evidence of losses from other operating activities, as the litigation against Mangalia Tax Department and Eforie Tax Department, which highlights the risk of increasing debts and additional penalties beyond the amounts recognized and assumed by the Company as at 31 December 2015 depending on evolution of the litigation.

Other matters

11. This independent auditor's report is addressed exclusively to the shareholders of the Company. Our audit was conducted in order to be able to report to the shareholders in accordance with the reporting requirements of a financial audit, and not for other purposes. To the extent to which the law allows it, we do not accept and assume any responsibility except for the Company and its Shareholders in respect to our audit, to the report on the consolidated financial statements and the report on conformity or the opinion.

12. The annexed consolidated financial statements are not meant to show the financial position, the financial performance and a complete set of notes to the consolidated financial statements in accordance to accounting regulations and principles in other countries and jurisdictions than Romania. Therefore, the annexed consolidated financial statements are not for the use of persons who are not familiar with International Financial Reporting Standards and legal regulations in Romania.

Timișoara, 21 March 2016

On behalf of SC A.B.A. AUDIT SRL

Registered with the Chamber of Financial Auditors from Romania
No. 305/23 December 2002

Dr. Dumitrescu Alin Constantin

Registered with the Chamber of Financial Auditors from Romania
No. 4227/29 February 2012

