

TURISM, HOTELURI, RESTAURANTE MAREA NEAGRA S.A.

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2016

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

TURISM, HOTELURI, RESTAURANTE MAREA NEAGRA S.A.

FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

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

TURISM, HOTELURI, RESTAURANTE MAREA NEAGRA SA
STATEMENT OF CONSOLIDATED PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED AT 31 DECEMBER 2016
 (All amounts are presented in RON)

For the financial year ended at 31 December	Note	Row	(RON)	(RON)
			2016	2015
Continuing operations				
<i>Income from accommodation</i>		1	20,160,054	20,878,291
<i>Income from catering</i>		2	10,617,463	9,659,528
<i>Rental income</i>		3	1,169,102	356,661
<i>Other income included in turnover</i>		4	3,439,483	3,336,916
<i>Income from disposals of tangibles and non-current assets held for sale</i>		5	10,919,946	7,260,763
<i>Other income</i>		6	1,868,293	1,024,972
<i>Revenues associated with the costs of the completed production</i>		7	0	0
Total Operational Income		8	48,174,341	42,517,131
<i>Expenses related to inventories</i>		9	6,971,502	6,852,891
<i>Utility expenses</i>		10	2,579,857	2,560,983
<i>Employee benefits expense</i>		11	11,413,279	9,792,257
<i>Depreciation and amortization expenses</i>		12	7,266,785	6,790,976
<i>Expenses related to disposed fixed assets and assets held for sale</i>		13	5,895,660	3,381,254
<i>Other taxes</i>		14	3,332,924	2,217,785
<i>Expenses related to external services</i>		15	4,614,157	4,042,149
<i>Other expenses</i>		16	162,965	727,199
Total Operational expenses		17	42,237,129	36,365,494
The result of operational activities		18	5,937,212	6,151,637

TURISM, HOTELURI, RESTAURANTE MAREA NEAGRA SA
STATEMENT OF CONSOLIDATED PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED AT 31 DECEMBER 2016
 (All amounts are presented in RON)

For the financial year ended at 31 December	Note	Row	(RON)	(RON)
			2016	2015
<i>Financial income</i>		19	197,465	274,359
<i>Financial expenses</i>		20	582,023	149,303
Net financial result		21	(384,558)	125,056
Result before taxation		22	5,552,654	6,276,693
<i>Current income tax expense</i>		23	1,182,409	1,339,701
<i>Deferred income tax expenses</i>		24	0	134,842
<i>Deferred income tax income</i>		25	29,269	0
Result for continuing operations		26	4,399,514	4,802,150
Other comprehensive income				
<i>Increase/(decrease) of revaluation surplus</i>		27	(5,992,486)	14,465,719
<i>Tax related to other comprehensive income</i>		28	(461,725)	2,537,059
Other comprehensive income after taxation		29	(6,454,211)	17,002,778
Total comprehensive income for the period		30	(2,054,697)	21,804,927
Earnings per share (RON/share)			0.0076	0.0083
Diluted earnings per share (RON/share)			0.0076	0.0083

The consolidated financial statements were approved by the Board of Directors on March 16, 2017 and were signed by:

ADMINISTRATOR
 CHAIRMAN OF THE BOARD OF DIRECTORS
 MIELU DOBRIN

PREPARED BY:
 ECONOMIC DIRECTOR
 RODICA UDRESCU

TURISM, HOTELURI, RESTAURANTE MAREA NEAGRA SA
STATEMENT OF CONSOLIDATED FINANCIAL POSITION
AS AT 31 DECEMBER 2016
(All amounts are presented in RON)

As at 31 December	Note	Row	(RON)	(RON)
			2016	2015
Assets				
Non-current assets				
<i>Tangible assets</i>				
<i>Freehold land and land improvements</i>	8	1	83,615,615	95,421,151
<i>Buildings</i>	8	2	108,674,822	112,212,966
<i>Plant and machinery, motor vehicles</i>	8	3	11,493,125	11,930,914
<i>Fixtures and fittings [...]</i>	8	4	11,082,477	10,221,944
<i>Tangible assets in progress</i>	8	5	1,355,732	4,004,687
<i>Intangible assets</i>		6		
<i>Concessions, patents, licenses, trademarks, similar rights and assets</i>		7	508,981	601,090
<i>Other intangible assets</i>	9	8	1,824	10,945
<i>Trade receivables and other receivables</i>		9	453,572	595,440
<i>Investment property</i>	8;10	10	16,350,751	3,337,958
<i>Financial assets</i>		11	2,432,010	0
<i>Deferred tax assets</i>		12	941,069	943,129
Total fixed assets		13	236,909,978	239,280,224
Current Assets				
<i>Inventories</i>	12	14	617,359	658,266
<i>Financial assets</i>	11	15	0	1,336

TURISM, HOTELURI, RESTAURANTE MAREA NEAGRA SA
STATEMENT OF CONSOLIDATED FINANCIAL POSITION
AS AT 31 DECEMBER 2015
(All amounts are presented in RON)

<i>Current tax assets</i>		16	2,972	0
As at 31 December	Note	Row	(RON)	(RON)
			2016	2015
<i>Trade receivables and other receivables</i>	13	17	6,118,303	13,098,227
<i>Accrued expenses</i>	14	18	923,873	42,367
<i>Cash and cash equivalents</i>	15	19	7,777,716	3,047,685
<i>Non-current assets held for sale</i>	16	20	11,007,555	4,073,434
Total Current Assets		21	26,447,778	20,921,315
Total Assets		22	263,357,756	260,201,539
Equity				
<i>Share capital</i>	17	23	57,894,994	57,894,994
<i>Capital adjustment following adoption of IAS 29 for the first time</i>	17	24	85,945,333	85,945,333
<i>Share premium</i>	17	25	1,895,855	1,895,855
<i>Reserves</i>	18	26	26,451,693	24,917,245
<i>Inflated reserves application of IAS 29 for the first time</i>	18	27	16,745,901	16,745,901
<i>Revaluation differences</i>	19	28	108,045,261	114,037,747
<i>Result for the period</i>	19	29	4,399,514	4,802,150
<i>Retained earnings except retained earnings from the adoption of IAS 29 for the first time</i>	19	30	53,330,461	47,420,552
<i>Retained earnings came following the application of IAS 29 for the first time</i>	19	31	(102,691,275)	(102,691,275)
<i>Other elements of equity</i>	20	32	(12,895,836)	(13,362,778)
Total Equity		33	239,121,901	237,605,724

TURISM, HOTELURI, RESTAURANTE MAREA NEAGRA SA
STATEMENT OF CONSOLIDATED FINANCIAL POSITION
AS AT 31 DECEMBER 2015
(All amounts are presented in RON)

31 December	Note	Row	(RON)	(RON)
			2016	2015
Liabilities				
Long-term liabilities				
<i>Long-term loans</i>		34	2,400,000	0
<i>Trade payables and other liabilities, including derivatives</i>	21	35	208,539	160,415
<i>Accruals for employee benefits</i>		36	0	0
<i>Provisions</i>	22	37	478,458	630,399
<i>Deferred tax liabilities</i>	7	38	12,960,795	13,452,421
Total Long-term liabilities		39	16,047,792	14,243,235
Current liabilities				
<i>Short-term loans</i>	21	40	3,943,232	4,872,971
<i>Trade payables and other debts, including derivatives</i>	21	41	3,872,289	3,412,080
<i>Deferred income</i>	4	42	347,699	42,688
<i>Provisions</i>	22	43	24,841	24,841
<i>Deferred tax liabilities</i>		44	0	0
Total Current liabilities		45	8,188,061	8,352,580
Total Liabilities		46	24,235,853	22,595,815
Total Equity and Liabilities		47	263,357,756	260,201,539

The consolidated financial statements were approved by the Board of Directors on March 16, 2017 and were signed by the:
ADMINISTRATOR
CHAIRMAN OF THE BOARD OF DIRECTORS
MIELU DOBRIN

PREPARED BY:
ECONOMIC DIRECTOR
RODICA UDRESCU

TURISM, HOTELURI, RESTAURANTE MAREA NEAGRA SA
STATEMENT OF CONSOLIDATED CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED AT 31 DECEMBER 2016
(All amounts are presented in RON)

Explanation	Share capital	Share capital adjustments IAS 29	Share premium account	Revaluation surplus	Reserves	Reserve adjustments IAS 29	Retained earnings except retained earnings from the adoption of IAS 29 for the first time	Retained earnings according IAS 29 first time adopted	Result for the period	Other elements of equity	Total equity
Balance at January 1 2015	57,894,994	0	1,895,814	99,572,027	20,980,920	0	0	6,033,421	(10,861,023)	217,745,525	57,894,994
Adjustments after IAS 29 implementations	0	85,945,333	41	0	0	16,745,901	0	(102,691,275)	0	0	0
Reductions in output (sales, scraping, restitution)	0	0	0	(3,448,775)	0	0	(3,513,674)	0	0	349,413	(6,613,036)
Loss/ Net profit for the year	0	0	0	95,569	0	0	8,667,325	0	0	0	8,762,894
Transfer to reserves	0	0	0	0	3,450,963	0	(5,794,927)	0	4,368,054	280,829	2,304,919
Error corrections	0	0	0	0	284,394	0	5,794,927	0	(5,794,927)	(284,394)	0
Other comprehensive income	0	0	0	0	0	0	0	0	0	0	0
Changes in the fair value of financial investments held for sale	0	0	0	0	0	0	0	0	0	0	0
Revaluation surplus	0	0	0	17,818,925	0	0	0	0	0	(2,851,721)	14,967,204
Balance at 31 December 2015	57,894,994	85,945,333	1,895,855	114,037,747	24,917,245	16,745,901	47,420,552	(102,691,275)	4,802,150	(13,362,778)	237,605,724
Reductions in output (sales, scraping, restitution)	0	0	0	(5,992,486)	0	0	5,785,834	0	0	461,724	255,072
Error corrections	0	0	0	0	0	0	631	0	0	0	631
Loss/Net profit for the year	0	0	0	0	0	0	(10,650)	0	0	0	(10,650)
Transfer to reserves	0	0	0	0	957,331	0	(4,668,054)	0	4,399,514	282,335	971,126
Transfer to retained earnings	0	0	0	0	577,117	0	4,802,148	0	(4,802,150)	(277,117)	299,998
Other comprehensive income	0	0	0	0	0	0	0	0	0	0	0
Change in fair value of financial investments held for sale	0	0	0	0	0	0	0	0	0	0	0
Revaluation surplus	0	0	0	0	0	0	0	0	0	0	0
Balance at 31 December 2016	57,894,994	85,945,333	1,895,855	108,045,261	26,451,693	16,745,901	53,330,461	(102,691,275)	4,399,514	-12,895,836	239,121,901

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MIELU DOBRIN

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TURISM, HOTELURI, RESTAURANTE MAREA NEAGRA S.A.
STATEMENT OF CONSOLIDATED CASH FLOWS
FOR THE FINANCIAL YEAR ENDED AT 31 DECEMBER 2016
(All amounts are presented in RON)

Explanation	Row	2016	2015
Cash-flow	1		
+/- Profit or Loss	2	4,399,514	4,802,150
+ Depreciation included in cost	3	7,266,785	6,790,976
- Changes in inventories (+/-)	4	6,893,215	(3,561,286)
- Changes in receivables (+/-)	5	(6,095,447)	8,554,776
+ Variation of suppliers and Advance payments from customers(+/-)	6	(508,333)	(1,371,170)
- Variation other asset items (+/-)	7	2,987,042	31,085,596
+ Variation in other liabilities (+/-)	8	236,097	17,428,253
= Cash flow from operating activities (A)	9	7,609,253	(8,428,877)
+ Disposals of tangible non-current assets	10	10,919,946	7,442,715
- Purchase of tangible non-current assets	11	15,522,582	11,384,798
= Cash flow from investing activities (B)	12	(4,602,636)	(3,942,083)
+ Loans variation (+/-), as:	13	0	0
+short-term loans receivable	14	11,950,000	12,000,000
- refunds of short-term loans	15	10,291,943	7,127,029
+medium and long term loans receivable	16	3,200,000	0
-refunds of medium and long term loans	17	0	0
- Dividends paid	18	3,134,644	1,953,686
= Cash flow from financial activities (C)	19	1,723,413	2,919,285
+ Cash at beginning of the period	20	3,047,686	12,499,361
+ Net Cash Flow(A+B+C)	21	4,730,030	(9,451,675)
= Cash at the end of the period	22	7,777,716	3,047,686

The consolidated financial statements were approved by the Board of Directors on March 16, 2017 and were signed by the:

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TURISM, HOTELURI, RESTAURANTE MAREA NEAGRĂ SA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED AT 31 DECEMBER 2016
(All amounts are presented in RON)

NOTE 1 – REPORTING ENTITY

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

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

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

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

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

Contact details of the Group are:

Telephone: 0241752452

Fax: 0241755559

Website: www.thrmareaneagra.ro

e-mail: thrmareaneagra@yahoo.com

Unique registration code in the Trade Register: 2980547

Fiscal registration code: RO 2980547

Number of Registered business: J 13/696/1991

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

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

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

Subscribed and paid up share capital: 57,894,993.9 RON divided in 578,949,939 shares. In reporting the years there have been no changes in the number of shares. Of the total shares issued and outstanding at 31.12.2015:

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

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

TURISM, HOTELURI, RESTAURANTE MAREA NEAGRĂ SA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED AT 31 DECEMBER 2016
(All amounts are presented in RON)

NOTE 1 – REPORTING ENTITY (CONTINUED)

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

Telephone: 0241.752.452

Unique registration code in the Trade Register: 14271182

Number of Registered business: J 13/1910/2001

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

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

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

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

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

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

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

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

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

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

TURISM, HOTELURI, RESTAURANTE MAREA NEAGRĂ SA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED AT 31 DECEMBER 2016
(All amounts are presented in RON)

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The accounts of the Subsidiary are listed in RON, in accordance with the Romanian Accounting Standards (“RAS”). These accounts were restated to reflect the existing differences between the financial statements in accordance with RAS and those in accordance with IFRS. This was made to restate the separate financial statements, under all material aspects, with IFRS adopted by the EU.

The most significant changes brought to the financial statement prepared in accordance with RAS, to restate them to IFRS requirements adopted by the EU are:

- Incorporating more elements into more comprehensive categories;
- Reclassification of fixed assets into investment property and non-current assets held for sale;
- Recognizing deferred tax assets and deferred tax liabilities in accordance with IAS 12 “Income taxes”; and
- Presentation requirements in accordance with IFRS.

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

The financial statements have been authorized for issue by the Board of Directors on March 11, 2016.

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

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

Presentation of Financial Statements

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

TURISM, HOTELURI, RESTAURANTE MAREA NEAGRĂ SA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED AT 31 DECEMBER 2016
(All amounts are presented in RON)

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of valuation

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

Valuation of assets and liabilities was made as:

- **Inventories** are valued at the lower value between cost and net realizable value.
- **Tangible assets** are measured initially at:
 - i) The acquisition cost, for those acquired for consideration;
 - ii) The input value, for those received as a contribution in kind to the establishment of share capital or increase of share capital;
 - iii) at fair value at the acquisition date, for those received as free of charge.For subsequent recognition, the Group has adopted the revaluation model.
- **Intangible assets** are initially measured at cost. After recognition intangible assets are accounted based on the cost model, at cost less any accumulated depreciation and any accumulated impairment losses.
- **Investment properties (buildings and land)** are determined at the fair value by an independent evaluator by :
 1. determining replacement value;
 2. estimating accrued depreciation;
 3. determination of the remaining value of construction ;
 4. direct comparison method by reference to market prices in a similar and comparable in area.
- **Financial investments** are recognized at cost.
- **Non-current assets held for sale** are measured at the lower value of carrying amount and fair value less cost to sell.
- **Cash and cash equivalents** are presented in the balance sheet at cost.

Use of estimates and judgments

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

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

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

TURISM, HOTELURI, RESTAURANTE MAREA NEAGRĂ SA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED AT 31 DECEMBER 2016
(All amounts are presented in RON)

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

2.2 General aspects of applied accounting policies

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

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

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

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

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

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

2.3 Standards and interpretations available in the current period

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

TURISM, HOTELURI, RESTAURANTE MAREA NEAGRĂ SA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED AT 31 DECEMBER 2016
(All amounts are presented in RON)

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

TURISM, HOTELURI, RESTAURANTE MAREA NEAGRĂ SA
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NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

IAS 20	Accounting for Government Grants and Disclosure of Government Assistance	Accounting principles for direct or indirect public aid (clear identification, concept of fair value, restraining subsidized connection etc.).
IAS 21	The Effects of changes in Foreign Exchange Rates	Accounting treatments of abroad activities, foreign currency transactions and restarting financial statements of a foreign entity.
IAS 23	Borrowing Costs	The definition of borrowing costs and accounting treatments: the notion of qualifying asset, how to incorporate borrowing costs in the amount of qualified assets.
IAS 24	Related Party Disclosures	Details of related party relationships and transactions (legal and natural persons) who exercises control or significant influence over one of the group's companies or the management.
IAS 26	Accounting and Reporting by Retirement Benefit Plans	Principles and information on the retirement schemes (funds), distinguishing defined contribution schemes and defined-benefit.
IAS 27	Consolidate and Separate Financial Statements	Principles concerning the presentation of separate financial statements, defining the obligation of consolidation and control, the convergence of accounting rules within the group, other principles.
IAS 29	Financial Reporting in Hyperinflationary Economies	Reconstitution of capital and reserves evolution.
IAS 31	Interests in Joint Ventures	Accounting principles and policies to joint venture operations performed, assets or holdings in a joint venture.
IAS 32	Financial Instruments: Presentation	Rules of presentation (classification of debt equity, expenses or income/equity).
IAS 33	Earnings per Share	Principles of determination and representation of earnings per share.
IAS 36	Impairment of Assets	Key definitions (recoverable amount, fair value less costs of disposal, value in use, cash-generating units), the frequency of impairment tests, accounting for the impairments, and for goodwill impairment
IAS 37	Provisions, Contingent Liabilities and Contingent Assets	Defining provisions and approach of estimating provisions, individual cases examined (including the problem of restructuring).

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NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

IAS 38	Intangible Assets	Definition and accounting treatments for intangible assets, recognition and measurement policies on the processing costs for research and development etc.
IAS 39	Financial Instruments: Recognition and Measurement	Recognition and measurement principles regarding financial assets and liabilities, the definition of derivatives, hedge accounting operations, the issue of fair value etc.
IAS 40	Investment Property	Establishing the evaluation method: fair value model or cost model, transfers between different categories of assets etc.
IFRS 1	First-time Adoption of International Financial Reporting Standards	The procedures for financial statements according to IAS / IFRS optional exemptions and mandatory exceptions to retrospective application of IAS / IFRS, supplemented by amendments applicable from 1 January 2013.
IFRS 5	Non-current Assets Held for Sale and Discontinued Operation	Defining an asset held for sale and discontinued operations, and the evaluation of these elements.
IFRS 7	Financial Information: Disclosures	Financial information related to financial instruments are referring primarily to: (i) information about the significance of financial instruments; and (ii) information about the nature and extent of risks arising from financial instruments, supplemented by amendments applicable from 1 January 2013.
IFRS 10	Consolidated Financial Statements	Establishing principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities.
IFRS 11	Joint Arrangements	Establishing principles for financial reporting for entities that hold interests in jointly controlled commitments.
IFRS 12	Disclosure of Interests in Other Entities	Requires an entity to disclose information that will enable users of its financial statements to evaluate: the nature and risks associated with interests held in other entities; and the effects of those interests on the financial position, financial performance and its cash flows.
IFRS 13	Fair value measurement	The definition of fair value, establishing, in a single IFRS, a framework for measuring fair value, requiring the presentation of information on fair value.

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NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3.1 Foreign currency translation

Presentation currency and functional currency

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

Transactions and balances

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

The exchange rates of major foreign currencies were:

	31 decembrie 2016	31 decembrie 2015
EUR	4.5411	4.5245
USD	4.3033	4.1477

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

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

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

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

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

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NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3.2 Property, plant and equipment

Measurement at recognition

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

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

Evaluation after recognition

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

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

Revalued amount (in addition) substitutes the acquisition cost.

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

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

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

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

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

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NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Depreciation

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

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

When registering revaluations, accumulated depreciation is eliminated.

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

Land is not depreciated.

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

	Years	
	<u>2016</u>	<u>2015</u>
Buildings	50	50
Other equipment, furniture and other changes	as far as 12	as far as 12
Vehicles	as far as 14	as far as 14

Impairment of tangible assets

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

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

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

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NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Derecognition

The carrying amount of a fixed asset shall be derecognized:

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

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

Gains shall not be classified as revenue.

2.3.3 Intangible assets

Recognition and measurement

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

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

Recognition criteria:

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

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

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

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

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

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NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recognition of expenses

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

Evaluation after recognition

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

Amortization

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

2.3.4 Cash and cash equivalents

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

2.3.5 Trade receivables

Trade receivables are categorized as financial assets.

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

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

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NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3.6 Financial assets and liabilities

Classification

The Group classifies financial instruments held in the following categories:

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

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

Investments held-to-maturity

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

Loans and receivables

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

Financial assets held for sale

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

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

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NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recognition

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

Amortized cost measurement

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

Fair value measurement

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

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

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

Identification and measurement of impairment

Financial assets measured at amortized cost

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

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

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

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

Available-for-sale financial assets

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

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

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

Derecognition

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

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NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

2.3.7 Employee Benefits

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

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

2.3.8 Income tax

Recognition of current tax assets and liabilities

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

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

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

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

Recognition of deferred tax assets and liabilities

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

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NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The main temporary differences arise from the following operations:

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

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

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

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

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

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

2.3.9 Provisions

Provisions are liabilities of uncertain timing or amount.

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

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

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

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NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

2.3.10 Recognition of income

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

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

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

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

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

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

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

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NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

2.3.11 Dividend Payment

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

2.3.12 Activity segments

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

2.3.13 New international standards not applied by the Group

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

- IFRS 9 Financial Instruments incorporating requirements for classification and measurement, impairment, general hedge accounting and derecognition of financial instruments, published in July 2014 with the entry date on or after 1 January 2018. In the EU, this standard is pending approval.
- IFRS 14 applies to a Group's first annual financial statements in accordance with IFRS, starting from 1 January 2016 or after. IFRS 14 was published in January 2014. In the EU, this standard was not yet approved.
- IFRS 15 applies to a Group's first annual financial statements in accordance with IFRS starting from 1 January 2018 or after. IFRS 15 was published in May 2014. In the EU, this standard is pending approval.
- IFRS 16 Lease Contracts applies to a Group's first annual financial statements in accordance with IFRS, starting from 1 January 2019 or after. IFRS 16 was published in January 13th, 2016. In the EU, for the approval of this standard, a schedule has not been yet determined.
- Amendments to IFRS 7 Financial Instruments: Disclosure issued in January 2017. In the UE they are still pending for approval.

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NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- Proposed amendments to IFRS 10 regarding the sale or contribution of assets between an investor and its associates or joint ventures, published in September 2014 with the entry date on or after 1 January 2016.
- Proposed amendments to IFRS 10 regarding the sale or contribution of assets between an investor and its associates or joint ventures, published in September 2014 with the entry date on or after 1 January 2016. In the EU it hasn't been established a calendar for approval yet. Amendments to IFRS 11 regarding the accounting for acquisitions of an interest in a joint operation published in May 2014 and adopted by EU in December 2015 with the entry date on or after 1 January 2016.
- Amendments to IAS 12 regarding Recognition of Deferred Tax Assets for Unrealized Losses, published in January 2016 with the entry date on or after 1 January 2017. At European Union level these are in process of approval.
- Amendments to IFRS 15 „Revenue from contracts with customers” born in April 2016, enforced in January 1, 2018. In the UE they are still pending for approval.
- Amendments to IFRS 2 „Classifications and evaluations of the deals towards payments based on share holds” published in June 2016, enforced in January 1, 2018. In the UE they are still pending for approval.
- Amendments to IFRS 4 „The application of IFRS 9 Financial instruments correlated with IFRS 4 Insurance contracts”, published in September 2014, enforced in January 1, 2018. In the UE they are still pending for approval.
- IFRIC 22 „Foreign currency Transactions and advanced considerations.” published in December 2016, enforced in January 1, 2018. In the UE they are still pending for approval.
- Amendments to IAS 40 „Investments property transfers.” published in December 2016, enforced in January 1, 2018. In the UE they are still pending for approval.

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NOTE 3 – OPERATING INCOME, LESS INCOME FROM ASSET SALES

The main activity of the Group is tourist accommodation services, catering and entertainment. In 2016, the Group recorded next tourist traffic:

Month	Day-tourist					
	National House of Public Pension –Treatment	Agencies	Foreign	On their own	Other beneficiaries	TOTAL
Conducted in 2016	138,900	197,922	18,933	23,218	24,435	403,408
Income and expenses budget(BVC) 2016	153,841	170,635	14,631	15,147	31,774	386,028
Differences from BVC	(14,941)	27,287	4,302	8,071	(7,339)	17,380
Percentage achieved BVC	90.29%	115.99%	129.40%	153.28%	76.90%	104.50%
Conducted in 2015	161,938	199,130	17,888	15,899	34,076	428,931
Differences from 2015	(23,038)	(1,208)	1,045	7,319	(9,641)	(25,523)
Percentage achieved from 2015	85.77%	99.39%	105.84%	146.03%	71.71%	94.05%
Percentage BVC 2016/ achieved 2015	95.00%	85.69%	81.79%	95.27%	93.24%	90.00%
Differences BVC 2016/ achieved 2015	(8,097)	(28,495)	(3,257)	(752)	(2,302)	(42,903)
Share structure 2016	34.43%	49.06%	4.69%	5.76%	6.06%	100.00%
Share structure 2015	37.75%	46.42%	4.17%	3.71%	7.94%	100.00%

As can be seen, in 2016 we achieved a tourism circulation of 403,408 of day-tourist, decreasing by 5.95% compared to the one recorded in 2015 and decreasing by 4.5% on the touristic traffic level used when budgeting the incomes and expenses for the year.

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NOTE 3 – OPERATING INCOME, LESS INCOME FROM ASSET SALES (CONTINUED)

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

RON

Indicator	Financial year ended at 31 December 2016	Financial year ended at 31 December 2015	Index 2016/2015 (%)
Turnover, including	35,386,102	34,255,663	103.37%
<i>Income from accommodation</i>	20,160,054	20,878,291	96.56%
<i>Income from catering</i>	10,617,463	9,659,528	109.92%
<i>Rental income</i>	1,169,102	356,661	327.79%
<i>Other income included in turnover</i>	3,439,483	3,361,183	103.07%
<i>Income from disposed fixed assets and non-current assets held for sale</i>	10,919,946	7,260,763	150.40%
<i>Other income</i>	1,868,293	1,009,975	182.28%
<i>Revenues associated with the costs of the completed production</i>	0	0	0.00%
Total operational income	48,174,341	42,526,401	88.26%

RON

Deferred income	31 December 2016	31 December 2015	Indice 2016 / 2015 (%)
Investment subsidies	347,699	0	0%
Total investment subsidies	0	42,688	0%
Total deferred income	347,699	42,688	0%

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

RON

Explanation	Financial year ended at 31 December 2016	Financial year ended at 31 December 2015
Income from disposed fixed assets	102,357	37,563
Income from non-current assets held for sale	10,817,589	7,223,200
Income from disposal of fixed assets and assets held for sale	10,919,946	7,260,763

Income from disposed fixed assets for 2016 are result of selling the following:

- Alfa and Beta from Saturn- building plus land;
- 460 sqm in Dunarea Village from Saturn;
- Brandusa Complex from Venus- building plus land;
- Neptun Complex from Eforie Nord – building plus land;
- Solero Braseries land from Eforie Nord;
- Priza Apa Belona from Eforie Nord – building plus land;
- CTC Laboratory from Eforie Nord – building plus land;
- Greenhouse from Eforie Nord – building;
- 7 tones carwash from Eforie Nord –building;

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

Employee benefits expenses are presented as follows:

RON

Explanation	Financial year ended at 31 December 2016	Financial year ended at 31 December 2015
Salaries	8,978,821	7,833,111
Social security contributions	2,138,051	1,829,933
Provisions for employee benefits	0	1,820
Meal vouchers expenses	296,407	127,393
Total	11,413,279	9,792,257

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

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

Employees :

No.	Indicator	Average number 2016	No, at 31.12.2016	Average number 2015
1	Permanent staff, showing separately:	125	122	125
	a) TESA staff	46	44	47
	b) Operative staff	79	78	78
2	Seasonal staff	271	22	269
3	Total staff	396	144	394

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

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NOTE 6 - OPERATIONAL EXPENSES (EXCEPT EMPLOYEE BENEFITS)

		RON	
No.	Operational Expenses	Financial year ended at 31 December 2016	Financial year ended at 31 December 2015
1	Expenses related to inventories:	6,971,502	6,852,891
2	<i>Raw materials and consumables expenses</i>	2,866,811	3,491,124
3	<i>Materials in form of small inventories and packaging expenses</i>	263,427	385,425
4	<i>Merchandise expenses</i>	3,841,264	2,976,342
5	Utility expenses	2,579,857	2,560,983
6	Amortization/depreciation and impairment expenses of fixed assets	7,266,785	6,790,976
7	Expenses from disposed assets and non-current assets held for sale:	5,895,660	3,381,254
8	<i>Disposed assets and non-current assets held for sale</i>	5,895,660	3,381,254
9	Other taxes, duties and similar expenses	3,332,924	2,217,785
10	External performance expenses	4,614,157	4,042,148
11	Other expenses	162,965	727,198
12	<i>Depreciation and provisions; adjustments for impairment losses</i>	72,576	452,337
13	Total operational expenses (except employee benefits)	30,823,850	26,573,237

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NOTE 7 - CURRENT TAX AND DEFERRED TAX. EARNINGS PER SHARE

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

No.	Explanation	THR Marea Neagră SA (RON)	Balneoterapia SRL (RON)
1	Total income, of which:	49,530,342	2,780,086
	Non-taxable income	1,786,289	0
	<i>Income deferred tax asset</i>	29,269	0
	Taxable income	47,744,053	2,780,086
2	Items similar to income total, of which:	3,162,900	(31,270)
	<i>Sold assets revaluation differences</i>	3,053,845	0
	2015 depreciation revaluation differences	109,055	(31,270)
3	Total expenses, of which:	45,075,032	2,335,681
	<i>Non-deductible expenses</i>	1,256,373	0
	Income deferred tax expenses	0	0
4	The difference between the accounting and tax depreciation	(175,119)	0
5	Legal reserve	277,117	0
6	Taxable profit / (tax loss)	6,986,293	413,135
7	Tax profit	1,117,807	66,102
8	Tax credit	(1,500)	0
9	Tax profit due	1,116,307	66,102

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

The deferred tax liability has been calculated by multiplying the taxable temporary difference with a 16% tax rate:

					RON
Year	Explanation	Total	The tax rate	Liabilities / receivable with deferred income tax	Differences from previous year
2015	Temporary differences recognized in profit and loss	2,324,857	16%	370,791	134,841
	Temporary differences recognized in equity	81,759,786	16%	13,081,566	2,539,119
	Temporary differences recognized in retained earnings	5,894,556	16%	943,129	(979,678)
	Total Deferred income tax at 31.12.2015	84,077,231	16%	13,452,357	2,673,960
	Total Deferred tax assets as at 31.12.2016	5,894,556	16%	943,129	(979,678)
2016	Temporary differences recognized in profit and loss	2,141,923	16%	342,708	(28,083)
	Temporary differences recognized in equity	78,874,003	16%	12,619,840	(461,726)
	Temporary differences recognized in retained earnings	5,893,036	16%	942,886	(243)
	Total Deferred tax liability as at 31.12.2016	81,015,926	16%	12,962,548	(489,809)
	Total Deferred tax assets as at 31.12.2016	5,893,036	16%	942,886	(243)

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Earnings per share

Earnings per share is calculated by dividing the net profit attributable to shareholders of the Group for the financial year 2016 amounted to **4,399,514 lei RON** (2015: profit **4,802,150 RON**) on weighted average number of ordinary shares in circulation to 578,949,939 adjusted with self-owned shares value. Diluted earnings per share is determined by adjusting net profit attributable to ordinary shareholders and the weighted average number of shares outstanding, adjusted with self-owned shares value, dilution effects of all potential ordinary shares.

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

Profit attributable to ordinary shareholders

	RON	
	2016	2015
Profit (loss) for the period	4,399,514	4,802,150
Profit (loss) for the period attributable to ordinary shareholders	4,399,514	4,802,150
Weighted average number of ordinary shares	578,949,939	578,949,939
Ordinary shares issued at 1 January	0	0
Effect of self-owned shares held		
Weighted average number of ordinary shares at 31 December	578,949,939	578,949,939
Earnings per share (basic)	0,0076	0,0083
Profit attributable to ordinary shareholders (basic)	4,399,514	4,802,150
Convertible bonds interest expenses after tax		0
Profit attributable to ordinary shareholders (diluted)	4,399,514	4,802,150
Weighted average number of ordinary shares (diluted)	578,949,939	578,949,939
Weighted average number of ordinary shares (basic)	578,949,939	578,949,939
Effect of conversion of convertible bonds		0
Effect of share options issued		0
Weighted average number of ordinary shares (diluted) at 31 December	578,949,939	578,949,939
Earnings per share (diluted)	0,0076	0,0083

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NOTE 8 - TANGIBLE NON-CURRENT ASSETS

	RON					
Description	Property	Plant	Equipment	Furniture and Fixtures	Advance payments for assets and work in progress	Total
0	1	2	3	4	5	6
Cost or assumed cost						
Balance at January 1, 2015	81,127,814	100,512,416	17,857,794	12,209,613	1,732,008	213,439,645
Acquisitions	0	10,429,613	1,370,450	1,538,216	14,773,529	28,111,808
Reclassification of small inventory to fixed assets (Growth)	0	0	0	351,294	0	351,294
Disposals of non-current assets	(44,826)	(59,000)	(1,605)	(7,109)	(12,500,850)	(12,613,390)
December 2014 operating result accruals records errata evaluator	0	6,253,617	0	0	0	6,253,617
Revaluation	14,338,163	(4,922,378)	0	0	0	9,415,785
Balance at December 31, 2015	95,421,151	112,214,268	19,226,639	14,092,014	4,004,687	244,958,759
Balance at January 1, 2016	95,421,151	112,214,268	19,226,639	14,092,014	4,004,687	244,958,759
Acquisitions	0	12,237,496	1,294,904	1,956,306	15,224,923	30,713,629
Reclassification of small inventory to fixed assets (Growth)	0	0	939,987	1,219,755	0	2,159,742
Disposals of non-current assets / Impairments	(11,801,418)	(12,656,786)	(477,930)	(777,320)	(17,873,878)	(43,587,332)
Balance at December 31, 2016	83,619,733	111,794,978	20,983,600	16,490,755	1,355,732	234,244,798
Depreciation and impairment losses						
Balance at January 1, 2015	0	1,853,338	5,011,088	2,501,154	0	9,365,580
Period depreciation	0	3,113,520	2,286,242	1,370,331	0	6,770,093
Impairment losses	0	0	0	0	0	0
Disposals of fixed assets	0	(5,544)	(1,605)	(1,415)	0	(8,564)
Adjustments as a result of operating records December 2014 errata evaluator	0	3,443,129	0	0	0	3,443,129
Depreciation of revalued buildings 31.12.2015 (cancellation)	0	(8,403,141)	0	0	0	(8,403,141)
Balance at December 31, 2015	0	1,302	7,295,725	3,870,070	0	11,167,097

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NOTE 8 - TANGIBLE NON-CURRENT ASSETS (CONTINUED)

Description	Property	Plant	Equipment	Furniture and Fixtures	Work in progress	Total
Balance at January 1, 2016	0	1,302	7,295,725	3,870,070	0	11,167,097
Period depreciation	0	3,226,478	2,221,804	1,633,890	0	7,082,172
Impairment losses	4,118	0	0	0	0	4,118
Depreciation of revalued buildings 31.12.2016 (cancellation)	0	(107,624)	(27,054)	(95,682)	0	(230,360)
Balance at December 31, 2016	4,118	3,120,156	9,490,475	5,408,278	0	18,023,027
Balance at January 1, 2015	81,127,814	98,659,078	12,846,706	9,708,459	1,732,008	204,074,065
Balance at December 31, 2015	95,421,151	112,212,966	11,930,914	10,221,944	4,004,687	233,791,662
Balance at January 1, 2016	95,421,151	112,212,966	11,930,914	10,221,944	4,004,687	233,791,662
Balance at December 31, 2016	83,615,615	108,674,822	11,493,125	11,082,477	1,355,732	216,221,771

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

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

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

Revaluation differences recorded by the group on 31.12.2016 related assets located in its patrimony are 108,045,621 RON and cannot be distributed to shareholders

For tangible non-current assets, the Group hasn't registered any life span changes, the determination of the amortization for the pledged assets hasn't changed as well and there was no reclassification for some parts of the expenses or the amortization on behalf of other expenses.

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NOTE 8 - TANGIBLE NON-CURRENT ASSETS (CONTINUED)

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

The Group owns:

- all the presented assets,
- a total land area of 465,383.80 square meters, as:
 - 423,938.26 square meters based on ownership certificates issued by the Ministry of Tourism for: Saturn S.A., Venus S.A., Eforie Nord S.A., Eforie Sud S.A. and release and receipt protocol between Neptun - Olimp S.A. and Miorita Estival 2002 S.A.,
 - 17,278.70 square meters purchased from the City Hall Eforie North, under contracts of sale - buy,
 - 24,166.84 square meters following the exchange conducted with the City Hall Mangalia and Eforie North.

Pledged, mortgaged and restricted assets

On 31.12.2016, the Group has established mortgages on these assets:

- Complex Hotel - Restaurant Lidia Venus and the land, Hotel Diana and the land, in favor of the Transilvania Leasing, guaranteed loan amount being 2,500,000 RON credit which must be repaid in April 2017, at 31.12.2016, all credit line being used.
- Complex Hotel – Restaurant Lidia from Venus and the land, Hotel Diana and the land, in favor of the Transilvania Leasing, guaranteed loan amount being 1,950,000 RON, credit which must be repaid in April 2017, at 31.12.2016, all credit line being used.
- Complex Hotel – Restaurant Sirena from Saturn and the land, in favor of BCR, guaranteed loan amount being 7,500,000 RON credit which must be repaid in June 2017, at 31.12.2016, all credit line being unused.
- Complex Hotel – Restaurant Balada from Saturn and the land, in favor of Unicredit Bank, guaranteed loan amount being 3,200,000 RON, credit which must be repaid in October 2020, at 31.12.2016, 5,159 RON of the credit line being unused.

In this class there was no compensation from third parties for impaired assets.

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NOTE 9 - INTANGIBLE ASSETS (CONTINUED)

In 2016, the main investment objectives achieved by the Group in amount of 20,048,045 were the following:

RON

No.	Investment objectives	As at 31.12.2016
1	Complex Narcis - Stage II - works interior installations (228 rooms) and exterior works - facades balconies, waterproofing. furniture, setup restaurant for breakfast	6,673,195
2	Complex Lidia - construction, furniture, TV hotel system, air conditioning	1,343,706
3	Hotel Hora - balconies maintenance, electrical system in the rooms	1,452,984
4	Hotel Balada - balconies maintenance, electrical system in the rooms	1,256,717
5	Hotel Aida - partially exterior painting, construction, electrical system in the rooms and hallways, furniture	849,894
6	Hotel Cerna - interior bathrooms construction, hone and faience in 52 bathrooms, sanitation facilities	811,019
7	Hotel Miorita- exterior works, balcony construction	662,000
8	Complex Brandusa - interior painting, interior 40 bathrooms, exterior painting for 40 balconies, furniture	469,359
9	Restaurant Cerna - expansion, setup the terrace, furniture	444,990
10	Balada and Cleopatra swimming pools - hone work, painting and pumps	326,160
11	Hotel Tosca - sanitation facilities and construction	125,536
12	Restaurant Aida - - sanitation facilities and electric installations	143,230
13	Buffet Narcis - setup the terrace and electric installations	128,614
14	Hotel Cleopatra - sanitation facilities, exterior painting	113,281
15	Complex Capitol - exterior painting	101,755
16	Complex BBB – works water treatment	70,814
17	Setup spaces for disabled people (bathrooms, rooms, ramps)	142,299
18	Equip the THR kitchens	138,537
19	IT investments (license, hardware, software) Opera hotel management software for H. Cleopatra, Complex BBB, H. Aida	243,084

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No.	Investment objectives	As at 31.12.2016
20	Electrical panels, niches, electrical meter for 11 units	44,465
21	Other exterior works, waterproofing, electric installations and other investments	1,165,065
	Total investment without VAT	16,706,704
	VAT	3,341,341
	Total	20,048,045

EXPLANATION	31.12.2016	31.12.2015
I) Book value of intangible assets:	2,311,459	2,206,581
Licenses + projects	1,721,834	1,616,956
Other intangible assets	589,625	589,625
II) Decreases (amortization):	1,800,654	1,594,546
Licenses + projects	1,212,853	1,015,866
Other intangible assets	587,801	578,680
III) Net book value	510,805	612,035
a) Licenses + projects	508,981	601,090
b) Other intangible assets	1,824	10,945

The increase is mainly due to the acquisition and implementation of Opera hotel management software, by supplementing the Opera license for Hotel Cleopatra, Complex Bran-Brad-Bega and Hotel Aida.

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

All intangible assets are pointed in their cost value.

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NOTE 10 – INVESTMENT PROPERTY

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

Explanation	31.12.2016	31.12.2015
Complex Claudia	1,376,054	1,336,415
Rapsodia restaurant	264,658	261,253
Complex Minerva	749,580	717,282
Complex Miorita	7,115,782	0
Complex Semiramis	5,788,432	0
ApolloTennis court	4,482	4,331
Hora kindergarten	33,799	32,303
Mecanic Shop Saturn land	631,584	601,406
Land Semiramis beach buffet	386,380	384,967
Total	16,350,751	3,337,958

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

The approaches used in the evaluation were: cost approach - replacement cost method and income approach – discounted future cash-flow method. Analyzing all estimated values according to the approach, in the present case, the selected property value is obtained by the cost approach, given the purpose of the assessment made.

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

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

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

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NOTE 10 – INVESTMENT PROPERTY (CONTINUED)

Fair value adjustments to assets classified as investment property in profit and loss at the end of 31.12.2016, and after evaluation:

RON

Explanation	31.12.2016			31.12.2015		
	Gain from evaluation of investment properties at fair value	Loss from evaluation at fair value of investment properties	Profit/ Loss	Gain from evaluation of investment properties at fair value	Loss from evaluation at fair value of investment properties	Profit/ Loss
Complex Claudia	39,639	-	39,639	26,915	-	26,915
Rapsodia restaurant	3,405	-	3,405	2,145	-	2,145
Complex Minerva	32,298	-	32,298	13,750	(66,431)	(52,681)
Complex Miorita	35,434	-	35,434	0	-	0
Complex Semiramis	94,126	-	94,126	0	-	0
Atelier Mecanic Saturn land	151	-	151	5,736	-	5,736
Hora kindergarten	1,496	-	1,496	303	-	303
ApolloTennis court	30,178	-	30,178	297	-	297
Semiramis beach buffet land	1,413	-	1,413	3,630	-	3,630
Total	238,140	-	238,140	52,776	(66,431)	(13,655)

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NOTE 11 – FINANCIAL ASSETS

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

- investments in subsidiaries, jointly controlled entities and associates are recognized at cost;
- short-term investments held for sale, unlisted on the stock exchange market, are recorded at cost, For value depreciation, the Group makes adjustments (the depreciation treatment for these securities is determined by IAS 39, paragraph 63);
- short-term investments held for sale listed, on the stock exchange market, are recorded at fair value (the value of trading on the last day of the year). In case of winnings or losses, they will be recognized in equity. If there are any indicators of impairment (as presented in paragraph 59 of IAS 39), as well as gains and losses from exchange rate differences, the loss of value is recognized in the period result.

Other investment	2016			2015		
	Book value	Impairment	Net book value	Book value	Impairment	Net book value
Long-term investments						
Shares at Transilvania Hotels&Travel S.A.	2,432,010	0	2,432,010	0	0	0
Long-term investments	2,432,010	0	2,432,010	0	0	0
Short-term investments						
Financial assets notlisted on a stock market held for trading	0	0	0	810,446	809,110	1,336
Total Short-term investments	0	0	0	810,446	809,110	1,336

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

Group	Share capital %	31.dec.2016	31.dec.2015
Transilvania Hotels&Travel SA	32.059%	2,432,010	0

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

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NOTE 12 – INVENTORIES

RON

Inventories	Book value (RON) at 31.12.2016	Write-downs at 31.12.2016	Balance at 31.12.2016	Book value (RON) at 31.12.2015
Raw materials	0	0	0	0
Materials	600,335	(38,303)	638,638	644,919
Inventories	6,108	0	6,108	5,899
Finished goods	0	0	0	0
Raw materials and consumables at third parties	3,254	0	3,254	0
Merchandise (without price differences and VAT)	2,931	0	2,931	2,827
Packaging materials	4,621	0	4,621	4,622
Advances for inventories acquisitions	110	0	110	0
Total	617,359	(38,303)	655,662	658,266

Inventories of materials and necessary equipment are used for investments acquired in order to complete ongoing investments.

NOTE 13 – RECEIVABLES

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

RON

Name	Net book value of receivables 31.12.2016	Allowances at 31.12.2016	Receivables at 31.12.2016	Net book value of receivables at 31.12.2015	Variation of receivables 2015/2016 (%)
Trade receivables and other receivables from which:	6,118,303	(28,290)	6,146,593	13,098,228	46.71%
Trade receivables from which:	2,137,054	(28,290)	2,165,344	2,915,541	73.30%
Transilvania Travel&Hotels	445,762		445,762	1,366,667	32.62%
Receivables from state budget	3,884,928		3,884,928	3,090,823	125.69%
Debtors for sales of assets	31,585		31,585	7,015,746	0.45%
Sundry Debtors	18,885		18,885	5,102	370.14%
Other receivables	45,851	0	45,851	71,016	64.56%
Current receivables	2,972	0	2,972	0	0.00%
Non-current receivables	453,572	0	453,572	595,439	76.17%
Deferred tax receivables	941,069	0	941,069	943,129	99.78%
Total	7,515,916	(28,290)	7,544,206	14,636,796	51.35%

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The Group's receivables consist mainly of tourism services adjusted with 28,290 RON representing an older debt related to the services offered by Rugby Club Constanta as well as state budget receivables represented by VAT to be recovered in amount of 3,848,352 RON (due to investments and purchases made).

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

Receivables	Total at 31.12.2016	Under 30 days	30-90 days	91-180 days	181-270 days	270-365 days	>1 year
Trade receivables and other receivables from which:	6,146,593	316,524	661,380	2,240,960	904,352	0	2,023,377
Trade receivables from which:	2,165,344	25,218	256,723	812,210	254,770	0	816,423
<i>Transylvania Hotels & Travel SA</i>	<i>445,762</i>	<i>3,876</i>	<i>5,082</i>	<i>436,804</i>	<i>0</i>	<i>0</i>	<i>0</i>
Receivables from state budget	3,884,928	288,311	403,890	1,411,274	639,073	0	1,142,380
Debtors for sales of assets	31,585	0	0	0	0	0	31,585
Sundry Debtors	18,885	76	767	16,475	1,567	0	0
Other receivables	45,851	2,919	0	1,001	8,942	0	32,989
Current income tax	2,972	2,972	0	0	0	0	0
Non-current receivables	453,572	0	6,000	10,000	0	0	437,572
Deferred tax receivables	941,069	0	0	0	0	0	941,069
Total	7,544,206	319,496	667,380	2,250,960	904,352	0	3,402,018

NOTE 14 - ACCRUED EXPENSES

RON

Accrued expenses	31.dec.2016	31.dec.2015
Materials in form of small inventory	881,413	0
Exploitation of mineral resources annual tax	137	137
Vignette tax	268	246
Insurance policies	41,455	41,687
Other accrued expenses	600	297
Total accrued expenses	923,873	42,367

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NOTE 15 - CASH AND CASH EQUIVALENTS

RON

Explanation	31.12.2016	31.12.2015
Bank accounts in RON	7,698,948	3,005,374
Bank account in foreign currencies	74,711	20,105
Petty cash in RON	2,719	17,756
Other values	1,338	4,450
Total	7,777,716	3,047,685

NOTE 16 –NON-CURRENT ASSETS HELD FOR SALE

RON

NO	Category	Book value of non-current assets held for sale in 2016	Book value of assets disposed or disposed through reclassification in 2016	Book value of non-current assets held for sale at 31.12.2016	Book value of non-current assets held for sale in 2015	Book value of assets disposed or disposed through reclassification 2015	Book value of non-current assets held for sale at 31.12.2015
1	ALFA APARTMENTS	0	240,700	0	0	0	240,700
2	BETA APARTMENTS	0	245,851	0	0	0	245,851
3	COMPLEX TOSCA (HOTEL+RESTAURANT+BUFET)	2,776,973	0	2,776,973	0	0	0
4	ANCORA HOTEL	258,532	0	258,532	0	0	0
5	COMPLEX CAPITOL (HOTEL+ RESTAURANT)	483,022	0	483,022	0	0	0
6	GLORIA HOTEL	441,826	0	441,826	0	0	0
7	COMPLEX MAGURA (HOTEL+ RESTAURANT)	1,493,152	0	1,493,152	0	0	0
8	RIVIERA HOTEL	464,177	0	464,177	0	0	0
9	MERCUR RESTAURANT	113,680	0	113,680	0	0	0
10	CTC LABORATORY	41,557	41,557	0	0	0	0
11	COMPLEX VENUS (HOTEL+ RESTAURANT)	1,010,910	0	1,010,910	0	0	0

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NO	Category	Book value of non-current assets held for sale in 2016	Book value of assets disposed or disposed through reclassification in 2016	Book value of non-current assets held for sale at 31.12.2016	Book value of non-current assets held for sale in 2015	Book value of assets disposed or disposed through reclassification 2015	Book value of non-current assets held for sale at 31.12.2015
12	COMPLEX NEPTUN (HOTEL+RESTAURANT)	0	20,532	0	0	0	20,532
13	RAPSODIA GARDEN	94,685	0	94,685	0	0	0
14	CT NEON	130,035	0	130,035	0	0	0
15	GREENHOUSEEFORIE NORD	3,839	3,839	0	0	0	0
16	SPALATORIE 7 TONE EFORIE NORD	35,249	35,249	0	0	0	0
17	COMPLEX BRANDUSA (HOTEL+RESTAURANT)	759,960	759,960	0	0	0	0
	TOTAL BUILDINGS	8,107,596	1,347,688	7,266,992	0	0	507,083
1	ALFA APARTMENTS	0	1,433,659	0	0	0	1,433,659
2	BETA APARTMENTS	0	1,368,823	0	0	0	1,368,823
3	TOSCA COMPLEX LAND (HOTEL + RESTAURANT+BUFET)	2,602,496	0	2,602,496	0	0	0
4	DUNAREA VILAGE LAND - 460MP	97,552	97,552	0	0	0	0
5	MERCUR RESTAURANTLAND	222,949	0	222,949	0	0	0
6	CTC LABORATORY LAND	25,773	25,773	0	0	0	0
7	VENUS COMPLEX LAND (HOTEL+RESTAURANT)	547,563	0	547,563	0	0	0
8	NEPTUN COMPLEX LAND (HOTEL+RESTAURANT)	0	629,336	0	0	0	629,336
9	RAPSODIA GARDEN LAND	233,022	0	233,022	0	0	0
10	SNACK BAR CARMEN LAND	0	0	39,050	0	0	39,050
11	BRANDUSA COMPLEX LAND (HOTEL+RESTAURANT)	708,796	708,796	0	0	0	0
12	COCORUL COMPLEX ENTRYWAY LAND	0	0	95,483	0	0	95,483
13	SATURN GREENHOUSE -20000 MP	0	0	0	0	3,277,238	0
	TOTAL LAND	4,438,151	4,263,939	3,740,563	0	3,277,238	3,566,351
	TOTAL NON-CURRENT ASSETS HELD FOR SALE	12,545,748	5,611,627	11,007,555	0	3,277,238	4,073,434

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

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

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

RON

2016			2015		
Income from disposal of non-current assets held for sale	Expenses from disposal of non-current assets held for sale	Income from disposal of non-current assets held for sale	Expenses from disposal of non-current assets held for sale	Expenses from disposal of non-current assets held for sale	Profit/Loss
10,817,589	(5,609,735)	5,207,854	7,223,200	(3,277,238)	3,945,962

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

Assets classified as held for sale were revalued at 31.12.2016 with tangible assets, but after evaluation resulting values were higher than the carrying amount, therefore they were reflected in books at their carried value that become the fair value.

NOTE 17 - THE SHARE CAPITAL, OWNERSHIP STRUCTURE AND CHANGES IN CAPITAL

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

Of the total number of shares issued and outstanding at December 31, 2016 and December 31, 2015:

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

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

During 2016 the share capital has not changed, the structure of shareholders at 31.12.2016 communicated by BVB:

Shareholders name	Percent(%)	Shares	Capital value(RON)
SIF Transilvania S,A,	77.7131%	449,920,140	44,992,014,00
A.V.A.S.	0.0893%	516,915	51,691,50
Other shareholders	22.1976%	128,512,884	12,851,288,40
TOTAL	100.0000%	578,949,939	57,894,993,90

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

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

THR Marea Neagră S.A. shares, are listed on the second category of Bucharest Stock Exchange started from 15 august 2002, with symbol “EFO”. In the last trading day of 2016, 30.12.2016, the closing price of EFO was 0.0826 RON/share, compared to 0.0848 RON/share at 31.12.2015.

NOTE 18 - CAPITAL RESERVES. REVALUATION DIFFERENCES

Explanation	RON	
	31.12.2016	31.12.2015
Revaluation surplus	108,045,261	114,037,746
Reserves	26,451,693	24,917,245
Inflated reserves from application of IAS 29	16,745,901	16,745,901
Total reserve	151,242,855	155,700,892

The revaluation surplus refers to property and plant of the Group and it was generated by the revaluations of tangible non-current assets in the years of 1999, 2002, 2003, 2005, 2007, 2009, 2011, 2012 and 2015.

Revaluation differences were reduced in 2016 on account of assets sold, scrapped or returned while transferring it to retained earnings. During 2016, there were registered devaluations of some lands (197mp belonging to Technical Office from Eforie Nord and 817mp belonging to Household Group in Saturn, base for a litigation) in amount of 206,652RON, due to the reduction of the differences gained from the reevaluation of these lands.

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NOTE 19 - RETAINED EARNINGS

RON

Element name	31.12.2016	Decrease	Increase	31.12.2015
<i>Retained earnings except retained earnings from the adoption of IAS 29 for the first time</i>	53,330,461	(15,968,214)	21,878,123	47,420,552
Retained earnings representing non-distributed benefits	434,096	(4,668,054)	4,802,150	300,000
Retained earnings from correction of accounting errors from previous years	(10,650)	(10,650)	8,096,456	(8,096,456)
Revaluation surplus transferred to retained earnings	52,906,384	(11,289,510)	5,785,834	58,410,060
Retained earnings from adoption of IFRS	631	0	3,193,683	(3,193,052)
<i>Retained earnings came following the application of IAS 29 for the first time</i>	(102,691,275)	0	0	(102,691,275)

NOTE 20 - OTHER ELEMENTS OF EQUITY

RON

Other elements of equity	31.12.2016	31.12.2015
Deferred tax recognized in equity	12,618,719	13,078,384
Profit distribution to legal reserve	277,117	284,394
Total Other elements of equity	12,895,836	13,362,778

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NOTE 21 - LIABILITIES, LESS DEFERRED INCOME

Short-term liabilities of the group are amounted to 7,815,521 RON, depending on the time structure of chargeability, as:

Short-term liabilities	RON							
	Liabilities at 31.12.2015	Liabilities at 31.12.2016	under 30 days	30-90 days	91-180 days	181-270 days	between 270-365 days	> 1 year
Amounts owed to credit institutions	4,872,971	3,943,232	0	0	3,143,232	600,000	200,000	0
Advances collected for orders	26,129	26,129	26,129	0	0	0	0	0
Trade payables	416,866	493,949	493,949	0	0	0	0	0
Other liabilities	2,969,085	3,352,211	2,938,260	0	117,172	59,343	237,436	0
Total	8,285,051	7,815,521	3,458,338	0	3,260,404	659,343	437,436	0

Short-term liabilities consist primarily of performance guarantees granted by entrepreneurs, wages and related contributions for the month of December 2016, current profit taxes amounted to 1,040,142 RON, short-term debts amounted to 3,143,232 RON, short-term investment debt amounted to 800,000RON.

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

Long-term liabilities	RON			
	Liabilities at 31.12.2015	Liabilities at 31.12.2016	1-5 years	> 5 years
Long term loans		2,400,000	2,400,000	
Trade payables and other liabilities, including derivatives	160,415	208,539	208,539	0
Trade payables	0	0		0
Other liabilities	160,415	208,539	208,539	0
Deferred tax liabilities	13,452,421	12,960,795	12,960,795	0
Total	13,612,836	15,569,334	15,569,334	0

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NOTE 22 - PROVISIONS

The Group has not undertaken obligations for pension plans other than the one stated by Law no, 263/2010 on the unitary system of public pensions, with the subsequent updates. The collective labor agreement, signed for 2016, stipulates a retirement bonus of a gross salary.

At December 31, 2016, the Group had established the following provisions:

- o Provision for litigation with Balu Eugenia, and lack of use of land for Hotel Meteor area of 481 sqm plus court costs amounted to 60,564RON,
- o Provision for a fine of 8,000 RON received from ANAF, for not releasing a receipt at Bran Hotel
- o Provision for copyrights amounted to 22,413 RON due to the Union of Phonogram Producers in Romania,
- o Provision of 34,168 RON representing an artist fee for 2013 and 2014, represented through CREDIAM Bucuresti,
- o Provision in the amount of 352,547 RON representing television fee that would be due by Romanian Television Society 2012-2015,
- o Provision of 766 RON for injury recovery due buffet break Popas Sincai

During 2016 the Group had established a provision in the amount of 34,168RON representing the artist fee for 2013 and 2014, represented through CREDIAM Bucuresti, and a provision of 6,000 RON for the litigation with Balu Eugenia for the lack of use of land for Hotel Meteor area of 481 sqm.

The Group has canceled in 2016 a provision amounted to 144,109RON afferent to the final sentence related to the use of Ancora Hotel land and a provision of 48,000RON related to the court decision which states partially absolute invalidity for the selling-buying contract of the Marea Neagra Eforie Nord Complex regarding the Trafo post only.

RON

Explanation	31.12.2016	Provision 31.12.2016	Cancelling provision in 2016	31.12.2015
Provisions for litigation	478,458	40,168	192,109	630,399
Provisions for pensions and similar obligations	24,841	0	0	24,841
Total Provisions	503,299	40,168	192,109	655,240

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NOTE 23 - RELATED PARTIES TRANSACTION

Compared to 2015, in the year 2016 were carried out transactions with related parties, as set out in the tables below. Values presented include value added tax.

RON

Receivables		
Related parties	31.dec.2016	31.dec.2015
<i>Transylvania Hotels&Travel SA</i>	445,762	1,366,667
TOTAL	445,762	1,366,667

Liabilities		
Related parties	31.dec.2016	31.dec.2015
<i>Transylvania Hotels&Travel SA</i>	0	0
Transylvania Leasing & Credit IFN SA	0	2,439
TOTAL	0	2,439

Sales		
Related parties	Financial year ended at 31.dec.2016	Financial year ended at 31.dec .2015
<i>Transylvania Hotels&Travel SA</i>	11,897,374	4,420,006
TOTAL	11,897,374	4,420,006

Acquisitions		
Related parties	Financial year ended at 31.dec .2016	Financial year ended at 31.dec .2015
<i>Transylvania Hotels&Travel SA</i>	12,658	52,072
TOTAL	12,658	52,072

Credit line balance		
Related parties	Financial year ended at 31.dec .2016	Financial year ended at 31.dec .2015
Transylvania Leasing & Credit IFN SA	3,143,232	1,500,000
TOTAL	3,143,232	1,500,000

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Credit line payments		
Related parties	Financial year ended at 31.dec .2016	Financial year ended at 31.dec .2015
<i>Transylvania Hotels&Travel SA</i>	2,791,943	4,500,000
TOTAL	2,791,943	4,500,000
Interest and fees		
Related parties	Financial year ended at 31.dec .2016	Financial year ended at 31.dec .2015
<i>Transylvania Hotels&Travel SA</i>	80,341	72,630
TOTAL	80,341	72,630

NOTE 23 - RELATED PARTIES TRANSACTION (CONTINUED)

The values presented in the above tables do not include VAT.

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

- outstanding balances by receivables and payables between related parties are related commercial transactions are conducted under terms and conditions similar terms and conditions which were accepted by third parties and are not guaranteed;
- we cannot provide additional information on guarantees given or received as it was not appropriate to represent;
- we did not recognize allowances for doubtful receivables and we have not written down any irrecoverable receivables from related parties because it was not the case.

NOTE 24 –CONTINGENT ASSETS AND CONTINGENT LIABILITIES

The Group is involved in litigations, mainly relating to assets and land claims as follows:

- land area of 197 square meters afferent Biroului Tehnic Eforie Nord (current headquarters of Eforie Nord Police), ongoing litigation.
- constructive agency PTTR Ag. Voiaj Saturn litigation with CN Posta Romana;

In all disputes THR undertook the necessary efforts to defend ownership.

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NOTE 24 –CONTINGENT ASSETS AND CONTINGENT LIABILITIES

The Group is involved in a litigation with the City Hall Mangalia therefore tax audit conducted by the 2008-2012 period, inspection completed by the tax inspection report nr.57355/11.10.2015, under which were issued two decisions to impose, in total amount of 7,604,311.45 RON.

The execution of those two decisions was suspended by the Court of Appel Constanta - file nr.776 / 118/2015 and the suspension effects subsist until the settlement of the substantive judicial action that THR will promote and which will take the annulment of decisions to impose.

The group recognized and estimated that due to the amount of 1,577,262 RON representing:

- i) tax additional buildings in the amount of 482,520 RON representing taxation of buildings without a reduction of 50% granted by Article 285 paragraph 2 of the Tax Code;
- ii) additional land tax in the amount of 253.029 RON representing taxation without the 50% discount granted by Article 285 paragraph 2 of the Tax Code;
- iii) penalties related to buildings and land tax established additional by monitoring body in the amount of 841,713 RON.

For the difference between the amount of buildings and land tax additional established by the control body and that recognized by society, there was requested and received erratum in the evaluation reports prepared by Preciss CONSULTING SRL 31.12.2007, 31.12.2009, 31.12.2011 and 31.12 .2012 specifying that the fair value of the buildings included at the time of assessments the value of installations, functional facilities or modernizations made to the buildings referred to until the time of reassessment, which leads to the conclusion that there are additional risks to society.

The Group also has an ongoing litigation with :

- with the City Eforie following a tax inspection for the amount in dispute up to 73,260 RON.
- with travel agency Mareea Comtour SRL for debt recovery of 1,191,170RON, representing touristic services offered by Society to the tourist arrived through Mareea Comtour SRL agency plus penalties;
- with Carja Vasile for canceling his demands regarding the refund from the Group of the amounts given in behalf of the selling-buying contract having as object Flora Vila and the improvement operated on the Vila.

In all disputes THR undertook the necessary efforts to defend ownership.

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

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

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

NOTE 26 - SIGNIFICANT RISK MANAGEMENT POLICY

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

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

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

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

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

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

- exchange rate risk
- interest rate risk

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NOTE 26 - SIGNIFICANT RISK MANAGEMENT POLICY

- credit risk
- liquidity risk
- operational risk

Exchange rate risk

The Group is easily exposed to the fluctuations of exchange rate, mainly in the case of foreign currency current accounts, receivables and liabilities in other currencies, and receivables and liabilities in RON, but which on contracts are strengthened in relation to other currencies, usually in EURO and / or USD.

The Group has not used and not used at this time derivatives to protect the RON exchange rate fluctuations relative to other currencies.

Interest rate risk

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

Credit risk

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

Liquidity risk

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

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

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NOTE 26 - SIGNIFICANT RISK MANAGEMENT POLICY (CONTINUED)

An analysis of assets and liabilities has been made, based on the remaining period from the balance sheet date to the contractual maturity date for the financial year 2016, as:

<i>Explanation</i>	Note	Book value	Under 3 months	Between 3 and 12 months	Over 1 year	Indefinite maturity
Assets						
Cash and cash equivalents	15	7,777,716	7,777,716	0	0	0
Trade receivables and other receivables	13	6,118,302	949,614	3,145,311	2,023,377	
Inventories	12	617,359		432,136	185,223	0
Other current assets		926,845	120,682	286,788	519,376	0
Non-current assets including non-current assets held for sale		247,917,533	0	0	0	247,917,533
Total assets		263,357,756	8,848,012	3,864,235	2,727,976	247,917,533
Liabilities						
Provisions	22	503,299	0	24,841		478,458
Trade payables and other payables	21	23,384,855	4,258,402	3,557,183	2,608,539	12,960,731
Deferred income (Grants)		347,699	347,699	0	0	0
Total liabilities		24,235,853	4,606,101	3,582,024	2,608,539	13,439,189
						0
Liquidity surplus in the period		239,121,903	4,241,911	282,211	119,437	234,478,344
Cumulative liquidity surplus		239,121,903	4,241,911	4,521,149	4,640,586	239,121,903

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NOTE 26 - SIGNIFICANT RISK MANAGEMENT POLICY (CONTINUED)

Capital management

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

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

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

<i>Explanation</i>	31 December 2016	31 December 2015
Total liabilities (long and short term)	24,235,853	22,595,814
Cash and cash equivalents	7,777,716	3,047,685
Total equity	239,121,901	237,605,724
Net liabilities indicator	(222,663,764)	(218,057,594)

Operational risk

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

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

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NOTE 27 –SUBSEQUENT EVENTS

We have no knowledge about events after the balance sheet date that would lead to significant influence on the data presented in the consolidated financial statements prepared for the financial year 2016.

NOTE 28 - BOARD OF DIRECTORS PROPOSAL FOR ALLOCATING NET PROFIT

At the end of 2016 the Group registers a net profit of 4,455,306.76 RON which the Board of Directors proposed to be distributed as follows:

- | | |
|--|----------------|
| • The legal reserve in accordance with art. 183 of the Companies Law 31/1990. republished: | 277,117RON, |
| • Distribution of dividends to shareholders | 3,936,860 RON, |
| • Allocation fund development | 241,330 RON. |

The separate financial statements were approved by the Board of Directors on March 16, 2017 and were signed by:

ADMINISTRATOR
CHAIRMAN OF THE BOARD OF DIRECTORS
MIELU DOBRIN

PREPARED BY:
ECONOMIC DIRECTOR
RODICA UDRESCU