

TURISM, HOTELURI, RESTAURANTE MAREA NEAGRA SA
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017
(All amounts are presented in RON)

TURISM, HOTELURI, RESTAURANTE MAREA NEAGRA S.A.

SEPARATE FINANCIAL STATEMENTS
31 DECEMBER 2017

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

TURISM, HOTELURI, RESTAURANTE MAREA NEAGRA SA
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017
(All amounts are presented in RON)

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Translator's explanatory note: This is a free translation of the original Romanian financial statements of Tursim, Hoteluri, Restaurante Marea Neagră 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 COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED AT 31 DECEMBER 2017
 (All amounts are presented in RON)

For the financial year ended at 31 December	Note	Row	(RON)	(RON)
			2017	2016

Continuing operations

<i>Income from accommodation</i>	3	1	21,016,132	20,160,054
<i>Income from catering</i>	3	2	10,128,015	10,617,463
<i>Rental income</i>	3	3	876,151	1,339,102
<i>Other income included in turnover</i>	3	4	2,399,878	2,825,792
<i>Income from disposals of tangibles and non-current assets held for sale</i>	4	5	1,382,160	10,919,946
<i>Other income</i>	3	6	2,795,169	1,926,362
<i>Changes in stock</i>	3	7	0	0
Total Operational Income		8	38,597,505	47,788,719

<i>Expenses related to inventories</i>	6	9	6,139,255	6,843,670
<i>Utility expenses</i>	6	10	2,260,544	2,550,082
<i>Employee benefits expense</i>	5	11	11,084,218	10,259,533
<i>Depreciation and amortization expenses</i>	6	12	6,820,711	6,857,190
<i>Expenses related to disposed fixed assets and assets held for sale</i>	6	13	712,351	5,895,660
<i>Other taxes</i>	6	14	3,252,799	3,331,056
<i>Expenses related to external services</i>	6	15	5,173,292	6,391,764
<i>Other expenses</i>	6	16	1,289,070	162,965
Total Operational expenses		17	36,732,240	42,291,920

The result of operational activities		18	1,865,265	5,496,799
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<i>Financial income</i>		19	460,791	627,569
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TURISM, HOTELURI, RESTAURANTE MAREA NEAGRA SA

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED AT 31 DECEMBER 2017
(All amounts are presented in RON)**

For the financial year ended at 31 December	Note	Row	(RON)	(RON)
			2017	2016
<i>Financial expenses</i>		20	113,124	582,023
Net financial result		21	347,667	45,546
Result before taxation		22	2,212,932	5,542,345

<i>Current income tax expense</i>		23	0	1,116,307
<i>Specific activity tax expense</i>		24	293,512	0
<i>Deferred income tax expenses</i>	7	25	227,584	0
<i>Deferred income tax income</i>		26	0	29,269
Result for continuing operations		27	1,691,836	4,455,307

Other comprehensive income				
<i>Increase/(decrease) of revaluation surplus</i>		27	(485,555)	(5,992,486)
<i>Tax related to other comprehensive income</i>	7	28	(38,457)	(461,725)
Other comprehensive income after taxation		29	(524,012)	(6,454,211)

Total comprehensive income for the period		30	(1,167,824)	(1,998,905)
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Earnings per share (RON/share) 0.0029 0.0077

Diluted earnings per share (RON/share) 0.0029 0.0077

The separate financial statements were approved by the Board of Directors on March 15, 2018 and were signed by the:

CHAIRMAN OF THE BOARD OF DIRECTORS
NARCISA MOSOIU

CHIEF FINANCIAL OFFICER
DANIELA TUDOR

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

As at 31 December	Note	Row	(RON)	(RON)
			2017	2016

Assets

Non-current assets				
<i>Tangible assets</i>		<i>1</i>		
Freehold land and land improvements	8	2	59,734,338	83,615,615
Buildings	8	3	107,021,706	108,679,480
Plant and machinery, motor vehicles	8	4	6,648,614	8,449,669
Fixtures and fittings [...]	8	5	9,499,841	10,985,403
Tangible assets in progress	8	6	991,285	1,355,732
<i>Intangible assets</i>		<i>7</i>		
Concessions, patents , licenses, trademarks , similar rights and assets		8	294,955	484,270
Other intangible assets	9	9	101,498	1,824
Intangible assets in progress		10	0	0
Trade receivables and other receivables		11	453,572	453,572
Investment property	8,10	12	17,191,112	16,350,751
Booked investments through equity		13	0	0
Financial assets	11	14	2,434,010	2,434,010
Deferred tax assets	7	15	951,078	941,069
Total fixed assets		16	205,322,009	233,751,395

TURISM, HOTELURI, RESTAURANTE MAREA NEAGRA SA

**STATEMENT OF FINANCIAL POSITION
FOR THE FINANCIAL YEAR ENDED AT 31 DECEMBER 2017
(All amounts are presented in RON)**

As at 31 December	Note	Row	(RON)	(RON)
			2017	2016

Current Assets				
Inventories	12	17	442,128	617,337
Financial assets	11	18	0	0
Current tax assets		19	0	0
Trade receivables and other receivables	13	20	4,868,821	6,080,021
Accrued expenses	14	21	782,016	923,273
Cash and cash equivalents	15	22	4,439,143	7,337,535
Non-current assets held for sale	16	23	36,516,013	11,007,555
Total Current Assets		24	47,048,121	25,965,721

Total Assets			25	252,370,130	259,717,116
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Equity				
Share capital	17	26	57,894,994	57,894,994
Capital adjustment following adoption of IAS 29 for the first time	17	27	85,945,333	85,945,333
Share premium	18	28	1,895,855	1,895,855
Reserves	18	29	22,894,846	22,542,869
Reserves from the application of IAS 29	18	30	16,745,901	16,745,901
Revaluation differences	18	31	107,511,069	107,996,624
Result for the period	19	32	1,691,836	4,455,307
Retained earnings except retained earnings from the adoption of IAS 29 for the first time	19	33	52,587,660	52,860,602
Retained earnings came following the application of IAS 29 for the first time	19	34	(102,691,275)	(102,691,275)

TURISM, HOTELURI, RESTAURANTE MAREA NEAGRA SA

**STATEMENT OF FINANCIAL POSITION
FOR THE FINANCIAL YEAR ENDED AT 31 DECEMBER 2017
(All amounts are presented in RON)**

31 December	Note	Row	(RON)	(RON)
			2017	2016
<i>Other elements of equity</i>	20	35	(12,690,844)	(12,895,772)
Total Equity		36	231,785,375	234,750,438
Liabilities				
Long-term liabilities				
<i>Long-term loans</i>		37	1,600,000	2,400,000
<i>Trade payables and other liabilities, including derivatives</i>	21	38	39,735	208,539
<i>Provisions</i>	22	39	409,128	478,458
<i>Deferred tax liabilities</i>	7	40	13,160,498	12,960,731
Total Long-term liabilities		41	15,209,362	16,047,728
Current liabilities				
<i>Short-term loans</i>	21	42	800,000	3,943,232
<i>Trade payables and other debts, including derivatives</i>	21	43	4,550,552	4,603,177
<i>Deferred income</i>	4	44	0	347,699
<i>Provisions</i>	22	45	24,841	24,841
<i>Deferred tax liabilities</i>		46	0	0
Total Current liabilities		47	5,375,392	8,918,949
Total Liabilities		48	20,584,754	24,966,677
Total Equity and Liabilities		49	252,370,130	259,717,116

CHAIRMAN OF THE BOARD OF DIRECTORS
NARCISA MOSOIU

CHIEF FINANCIAL OFFICER
DANIELA TUDOR

TURISM, HOTELURI, RESTAURANTE MAREA NEAGRA SA

**STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017
(All amounts are presented in RON)**

THE SITUATION OF TOTAL EQUITY AT 31.12.2017											
Explanation	Share capital	Share capital adjustments IAS 29	Share premium account	Revaluation surplus	Reserve	Reserve adjustments IAS 29	Retained earnings except IAS 29	Retained earnings according IAS 29 first time adopted	Result for the period	Others equity	Total equity
Balance at January 1 2016	57,894,994	85,945,333	1,895,855	113,989,110	21,308,421	16,745,901	47,084,787	(102,691,275)	4,368,054	(13,364,773)	233,176,407
Reductions in output (sales, scraping, restitution)	0	0	0	(5,992,486)	0	0	5,785,834	0	0	461,724	255,072
Loss cancelation from previous years	0	0	0	0	0	0	631	0	0	0	631
Error corrections	0	0	0	0	0	0	(10,650)	0	0	0	(10,650)
Loss/ Net profit for the year	0	0	0	0	957,331	0	(4,368,054)	0	4,455,307	284,394	1,328,978
Transfer to reserves	0	0	0	0	277,117	0	4,368,054	0	(4,368,054)	(277,117)	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	0	0	0	0	0	0	0	0
Balance at 31 December 2016	57,894,994	85,945,333	1,895,855	107,996,624	22,542,869	16,745,901	52,860,602	(102,691,275)	4,455,307	(12,895,772)	234,750,438
Reductions in output (sales, scraping)	0	0	0	(485,555)	0	0	485,555	0	0	0	0
Loss cancelation from previous years	0	0	0	0	0	0	(631)	0	0	0	(631)
Error corrections	0	0	0	0	0	0	(757,865)	0	0	0	(757,865)
Loss/Net profit for the year	0	0	0	0	241,330	0	(4,445,307)	0	1,691,836	315,575	(2,206,566)
Transfer to reserves	0	0	0	0	110,647	0	4,455,307	0	(4,455,307)	(110,647)	0
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 2017	57,894,994	85,945,333	1,895,855	107,511,069	22,894,846	16,745,901	52,587,661	(102,691,275)	1,691,836	(12,690,844)	231,785,375

The separate financial statements were approved by the Board of Directors on March 15, 2018 and were signed by the:

CHAIRMAN OF THE BOARD OF DIRECTORS
NARCISA MOSOIU

CHIEF FINANCIAL OFFICER
DANIELA TUDOR

TURISM, HOTELURI, RESTAURANTE MAREA NEAGRA S.A.

**STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED AT 31 DECEMBER 2017
(All amounts are presented in RON)**

Explanation	Row	2017	2016
+/- Profit or Loss	1	1,691,836	4,455,307
+ Depreciation included in cost	2	6,820,711	6,857,190
- Changes in inventories (+/-)	3	25,333,249	6,899,013
- Changes in receivables (+/-)	4	(961,098)	(5,987,873)
+ Variation of suppliers and Advance payments from customers(+/-)	5	323,373	1,397,298
- Variation other asset items (+/-)	6	(13,157,858)	4,074,434
+ Variation in other liabilities (+/-)	7	6,224,096	306,821
= Cash flow from operating activities (A)	8	3,845,723	8,031,042
+ Disposals of tangible non-current assets	9	1,515,619	10,919,946
- Purchase of tangible non-current assets	10	3,818,831	15,224,923
= Cash flow from investing activities (B)	11	(2,303,212)	(4,304,977)
+ Loans variation (+/-), as:			
+short-term loans receivable	12	9,900,000	11,950,000
- refunds of short-term loans	13	9,900,000	10,291,943
+medium and long term loans receivable	14	0	3,200,000
-refunds of medium and long term loans	15	800,000	0
- Dividends paid	16	3,640,903	3,134,644
= Cash flow from financial activities (C)	17	(4,440,903)	1,723,413
+ Cash at beginning of the period	18	7,337,535	1,888,056
+ Net Cash Flow(A+B+C)	19	(2,898,392)	5,449,478
= Cash at end of the period	20	4,439,143	7,337,535

The separate financial statements were approved by the Board of Directors on March 15, 2018 and were signed by the:

CHAIRMAN OF THE BOARD OF DIRECTORS
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CHIEF FINANCIAL OFFICER
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TURISM, HOTELURI, RESTAURANTE MAREA NEAGRĂ SA

**NOTES TO THE SEPARATE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED AT 31 DECEMBER 2017
(All amounts are presented in RON)**

NOTE 1 – REPORTING ENTITY

The present financial statements are separate financial statements, in accordance with IAS 27.4.

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

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

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

Contact details of the company 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 Company is CAEN code: **5510 Hotels and other similar accommodation facilities.**

The company 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 31.12.2017:

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

NOTE 1 – REPORTING ENTITY (CONTINUED)

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.

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 separate 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 separate financial statements of the Company.

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

The company has prepared the annual financial statements for the year ended 31 December 2017 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.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The accounts of the Company 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 15, 2018.

In accordance with IAS 29 and IAS 21, the separate 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.

In consequence, at 31.12.2015 the Company proceeded to reprocess the subscribed share capital according to IAS 29, by reconstructing the evolution of the subscribed share capital and the limitations from the registration until 2003 (mentioning the exact date and source) with the application of inflation index.

Presentation of Financial Statements

The separate financial statements are presented in accordance with IAS 1 "Presentation of Financial Statements". The Company 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.

Basis of valuation

The separate 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 Company has adopted the revaluation model.

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NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- **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 errors.

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.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Judgments made by management in applying IFRS that have a significant effect on the separate 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 company has developed accounting policies in accordance. If the Standards provide alternatives solutions or exceptions, have been established policies opted for.

The company has applied starting from 2012, including 2017, the following International Financial Reporting Standards:

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

TURISM, HOTELURI, RESTAURANTE MAREA NEAGRĂ SA

**NOTES TO THE SEPARATE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED AT 31 DECEMBER 2017
(All amounts are presented in RON)**

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, with revisions made in 2011, applicable from January 1, 2013.
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.

TURISM, HOTELURI, RESTAURANTE MAREA NEAGRĂ SA

**NOTES TO THE SEPARATE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED AT 31 DECEMBER 2017
(All amounts are presented in RON)**

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	Separate Financial Statements	The principles on the presentation of the consolidated accounts, defining the obligation of consolidation and the control notion, the convergence of accounting regulations inside the group, other principles;
IAS 28	Investments in Associates	Defining the evaluation and information principles regarding investments in associates, except those held by: <ul style="list-style-type: none">a) Venture capital organizationsb) Mutual funds, unit trusts and similar entities, including insurance funds with an investment component which are considered to be at their fair value through profit or loss or classified as held for trading and accounted in accordance to IAS 39. Financial instruments: recognition and evaluation. This kind of investment must be evaluate at their true value according to IAS 39, with the right modifications of the value seen in profit or loss during the modifications.
IAS 29	Financial Reporting in Hyperinflationary Economies	The reconstruction of the equity and reserves.
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 test, accounting for the impairment, for goodwill impairment.

TURISM, HOTELURI, RESTAURANTE MAREA NEAGRĂ SA

**NOTES TO THE SEPARATE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED AT 31 DECEMBER 2017
(All amounts are presented in RON)**

IAS 37	Provisions, Contingent Liabilities and Contingent Assets	Defining provisions and approach of estimating provisions, individual cases examined (including the problem of restructuring).
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.

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 December 2017	31 December 2016
EUR	4.6597	4.5411
USD	3.8915	4.3033

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.

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 Company 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 company 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).

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Depreciation

Depreciation charges 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>2017</u>	<u>2016</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.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 company 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.

2.3.6 Financial assets and liabilities

Classification

The Company 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.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

If any such impairment indicators exist, the entity is required to perform a detailed impairment calculation to determine whether any impairment 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.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Available-for-sale financial assets

The Company 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 Company's estimates may be revised significantly after the date when the financial statements are authorized for issue.

Derecognition

The company derecognizes a financial asset when the rights to receive cash flows from the financial asset expire or when the Company 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.

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

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

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3.7 Employee Benefits

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

The Company 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 liability 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.

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 Company 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 Specific activity tax

Starting from January 1st 2017, THR Marea Neagra applied the provisions according to Law 170/ 2016 on the specific activities tax taking in consideration the principal activity corresponding to CAEN 5510 - " Hotels and other accommodation facilities',

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3.10 Provisions

Provisions are liabilities of uncertain timing or amount.

Provisions are recognized when the Company 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 Company expects a partial or full reimbursement of the expenditure required to settle a provision (e.g. insurance contracts) it shall:

- a) recognize a reimbursement only if it is certain that it will take place if the company 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.

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.

Company 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 company 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.

2.3.11 Recognition of income

Revenues of the Company 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

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 accompany 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 company, 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 company 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 Company holds equity, are recognized in the financial statements of the Company 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.

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).

2.3.12 Dividend Payment

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

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3.13 Activity segments

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

2.3.14 New international standards not applied by the Company

The entity does not apply some IFRS or new stipulations regarding IFRS issued, but not in effect at the date of the financial statements. The company cannot estimate the impact of applying these stipulations and intends to apply them when they come into force. Among the issued, but not adopted standards, the company 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. At European Union (EU) level, this standard has been approved and published in the Official Journal of the European Union on 29 November 2016.
- IFRS 14 applies to a company'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 company's first annual financial statements in accordance with IFRS starting from 1 January 2018 or after. IFRS 15 was published in May 2014 and it was approved in UE in September 2016 with the entry date on or after 1 January 2018.
- IFRS 16 Lease Contracts applies to a company's first annual financial statements in accordance with IFRS, starting from 1 January 2019 or after. IFRS 16 was published in January 13th, 2016. At the level of the European Union (EU), this standard has been approved and published in the Official Journal of the European Union on 9 November 2017.
- Amendments to IFRS 7 Financial Instruments: information provided in January 2017. At the European Union level, these are pending approval.
- 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, for the approval of this standard, a schedule has not been yet determined.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- Amendments to IAS 12 regarding *Recognition of Deferred Tax Assets for Unrealised 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.
- Clarifications to IFRS 15 "Revenue from contracts with customers" born in April 2016 with effect from 1 January 2018. At EU level, these are pending approval. At European Union (EU) level, this standard has been approved and published in the Official Journal of the European Union on 9 November 2017.
- Amendments to IFRS 2: "Classifications and ratings of transactions relating to stock-based payments" arising in June 2016, with effect from 1 January 2018. At EU level, these are pending approval.
- Amendments to IFRS 4: "Application of IFRS 9 financial instruments IFRS 4 Insurance Contracts", which appeared in September 2014 with entry into force after 1 January 2018. At EU level, this standard has been approved and published in the Official Journal of the European Union on 9 November 2017.
- Amendments at IFRS 17 "Insurance contracts", published on 18 May 2017 with effect from 1 January 2021.
- IFRIC 22 "Foreign currency Transactions and advanced considerations" appeared in December 2016 with entry into force after 1 January 2018. At EU level, it is pending approval.
- Amendments at IFRIC 23 "Uncertainty over Income Tax Treatments" appeared in the 8 December 2016 with the entry into force after 1 January 2019.
- Amendments to IAS 40 "Investment property transfers" that appeared in 8 December 2016 with entry into force after 1 January 2018. At EU level, these are pending approval.
- Amendments at IFRS 9 "Prepayment Features with Negative Compensation", published on 12 October 2017 with the entry into force after 1 January 2019.
- Amendments at IAS 28 "Long-term interests in Associates and Joint Ventures" published on 12 October 2017 with the entry into force after 1 January 2019.
- Amendments at IAS 19 "Plan Amendment, Curtailment or Settlement" published in February 7, 2018 with the entry into force after 1 January 2019.

NOTE 3 – OPERATING INCOME, LESS INCOME FROM ASSET SALES

The main activity of the company is tourist accommodation services, catering and entertainment. In 2017, the company recorded next tourist traffic:

Day-tourist

Month	National House of Public Pension – Treatment	Agencies	On their own	Online	Other beneficiaries	TOTAL
Conducted in 31 December 2017	128,563	189,201	11,893	20,259	32,619	382,535
Income and expenses budget(BVC) 2017	138,900	176,567	17,834	22,281	21,674	377,256
Differences from 2017/BVC 2017	(10,337)	12,634	(5,941)	(2,022)	10,945	5,279
Percentage achieved 2017/BVC 2017	92.56%	107.16%	66.69%	90.93%	150.50%	101.40%
Conducted in 31 December 2017	135,734	187,424	14,671	21,108	23,806	382,743
Differences in 2017 from 2016	(7,171)	(1,777)	(2,778)	(849)	8,813	(208)
Percentage achieved from 2017/ achieved 2016						
Percentage BVC 2017/ achieved 2016	94.72%	100.95%	81.06%	95.98%	137.02%	99.95%
Differences BVC 2017/ achieved 2016						
Share structure 2017	33.61%	49.46%	3.11%	5.30%	8.53%	100.00%
Share structure 2016	35.46%	48.97%	3.83%	5.51%	6.22%	100.00%

As can be seen, in 2017 we achieved a tourism circulation of 382,535 of day-tourist, decreasing by 0.05% compared to the one recorded in 2016 increasing by 1.40% related to the one used when budgeting the incomes and expenses for the year.

NOTE 3 – OPERATING INCOME, LESS INCOME FROM ASSET SALES

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

RON

Indicator	Financial year ended as at 31 December 2017	Financial year ended as at 31 December 2016	Index 2017 / 2016 (%)
Turnover, including	34,420,176	34,942,411	98.68%
<i>Income from accommodation</i>	<i>21,016,132</i>	<i>20,160,054</i>	<i>104.25%</i>
<i>Income from catering</i>	<i>10,128,015</i>	<i>10,617,463</i>	<i>95.39%</i>
<i>Rental income</i>	<i>876,151</i>	<i>1,339,102</i>	<i>65.43%</i>
<i>Other income included in turnover</i>	<i>2,399,878</i>	<i>2,825,792</i>	<i>84.93%</i>
Income from disposed fixed assets and non-current assets held for sale	1,382,160	10,919,946	12.66%
Other income	2,795,169	1,926,362	145.10%
Total operational income	38,597,505	47,788,719	80.77%

RON

Deferred income	31 December 2017	31 December 2016
Total deferred income from operating activities	0	347,699
Investment subsidies	0	0
Total deferred income	0	347,699

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

RON

Explanation	Financial year ended as at 31 December 2017	Financial year ended as at 31 December 2016
Income from disposed fixed assets	0	102,357
Income from non-current assets held for sale	1,382,160	10,817,589
Income from disposal of fixed assets and non-current assets held for sale	1,382,160	10,919,946

Income from disposed fixed assets for 2017 are result of selling the following:

- Restaurant Mercur in Eforie South- building and land;
- Heater in Neon in Eforie North - building;
- Land Hotel Sport in Eforie North;

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 as at 31 December 2017	Financial year ended as at 31 December 2016
Salaries	8,429,101	8,063,958
<i>Board of directors salary expenses (Supervisory Board starting from November, 2017)</i>	<i>782,225</i>	<i>726,478</i>
Social security contributions	2,392,813	1,923,716
Meal vouchers expenses	262,304	271,859
Total	11,084,218	10,259,533

During the reporting period the company recorded as expenses the amount of 782,225 RON, representing salary rights due to the members of the Company Board of Directors starting with November 2017 and Director of the company which signed a management agreement with the company according to the Law 31/1990 regarding the Companies.

The company 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.

The Company 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 Company has not booked such obligations at the end of 2017.

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

Regarding the Human Resources in 2017, comparing to 2016 the evolution is as presented:

No.	Indicator	Number at 31.12.2017	Average number in 2017	Average number in 2016
A	Permanent staff. showing separately:	108	109	117
	a) TESA staff	36	38	40
	b) Operative staff	72	71	77
B	Seasonal staff	20	213	237
	Total staff	128	322	354

1	Administrators	7	7	6
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The Company 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. Compared to 2016, in 2017 the Company managed to maintain the average number of personnel both in structure and in whole, seasonal and permanent.

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NOTE 6 - OPERATIONAL EXPENSES (EXCEPT EMPLOYEE BENEFITS)

RON

No.	Operational Expenses	Financial year ended as at 31 December 2017	Financial year ended as at 31 December 2016
1	Expenses related to inventories:	6,139,255	6,843,670
1.1.	<i>Raw materials and consumables expenses</i>	2,285,996	2,797,240
1.2.	<i>Materials in form of small inventories and packaging expenses</i>	404,202	205,166
1.3.	<i>Merchandise expenses</i>	3,449,057	3,841,264
2	Utility expenses	2,260,544	2,550,082
3	Amortization/depreciation and impairment expenses of fixed assets	6,820,711	6,857,190
4	Expenses from disposed assets and non-current assets held for sale:	712,351	5,895,660
4.1.	<i>Disposed assets and non-current assets held for sale</i>	712,351	5,895,660
5	Other taxes, duties and similar expenses	3,252,799	3,331,056
6	External performance expenses	5,173,291	6,391,764
7	Other expenses	1,289,070	162,965
7.1.	<i>Evaluation loss expenses</i>	43,912	0
7.2.	<i>Provisioning expenses adjustments for assets depreciation</i>	1,191,170	72,576
	Total operational expenses (except employee benefits)	25,648,022	32,032,387

NOTE 7 – SPECIFIC ACTIVITY TAX, CURRENT TAX AND DEFERRED TAX, EARNINGS PER SHARE (CONTINUED)

Starting from January 1st 2017, according to Law 170/ 2016 on the specific activities tax, the legal Romanian persons which on 31 December 2016 have simultaneously fulfill the conditions:

- They were entered in Articles of Association, as a principal or secondary activity one of the activities corresponding to CAEN 5510 - " Hotels and other accommodation facilities',
- 5520 - "facilities for accommodation for holidays and periods of short duration", 5530 - "Parks for caravans, camping and camps", 5590 - "Other accommodation services", 5610 - "Restaurants", 5621 - " Food services activities (catering) for events", 5629 - "Other food services activities", 5630 - "Bars and other a beverage serving activities";
- Which actually carries on activities in the areas referred to in the preceding subparagraph;
- Not in liquidation, according to the law, are liable to pay tax to specific activities.

The Company shall carry out their activities subject to specific activity tax (CAEN code 5510, 5610 and 5630) via:

- A number of 21 Hotel resort (hotel restaurant bar) with a capacity of the marketable production of 6,808 places of accommodation 4,952 places in restaurants and 674 seats in pubs/cafés;
- buffet with a capacity of 30 seats and a commercial area of 46 square meters.

In accordance with the provisions of Article 5(2) of the detailed rules for the application of Law no.170/2016, the company specific activity tax calculated for the period of the fiscal year for which it carries on business, as the period laid down in the opening of the unit until the last day of validity of the license, except in the case of complex Hora for which carried out the activity was considered to be the referred to in the schedule of opening and closing of the company, 23 May-20 October, 2017. The documents which were taken as a basis for the calculation of the specific activity tax have been schedule of opening and closing of the establishments for the summer season 2017, licenses for the operation and standardised sheets concerning the classification of the nominal of accommodation spaces on the categories and types for each hotel complex, terminals which were basic to the address for requesting certificates for the classification structures for tourist reception with functions of accommodation and catering.

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NOTE 7 – SPECIFIC ACTIVITY TAX, CURRENT TAX AND DEFERRED TAX, EARNINGS PER SHARE (CONTINUED)

In table no.1 we present a summary of specific activity tax for 2017, in table no 2, 3, 4, the specific activity tax calculation on each resort, and in table no 5 the calculation for each hotel :

Table no.1

Nr. no	Indicators	TOTAL year 2017	Total complex hotelier (hotel+ restaurant + bar)	Total 4 stars	Total 3 stars	Total 2 stars	Total alimentație publică
1	Accommodation places	6,808	6,808	992	3,446	2,370	0
	number of places – units of catering required	4,952	4,952	992	2,780	1,180	0
	number of places at bar – units of catering required	444	444	120	264	60	0
	number of places at bar – units of catering required	230	230	40	190	0	0
	number of places buffet – independent catering	30	0	0	0	0	30
2	Standard specific activity tax (k)	0	0	271	171	113	0
3	Specific activity tax /unit/ no. of days according to schedule of opening/closing in 2017 (RON)	293,512	283,474	74,226	160,943	48,305	10,038

Table no. 2

Nr. no	Indicators	Total 4 stars	4 stars		
			Complex Brad-Bran-Bega		Cleopatra
1	Accommodation places	992	146	292	554
	number of places – units of catering required	992	438		554
	number of places at bar – units of catering required	120	80		40
	number of places at bar – units of catering required	40			40
2	Standard specific activity tax (k)		271	271	271
3	Number of working days according to the opening and closing schedule 2017		82	142	84
4	Specific activity tax /unit/ no. of days according to schedule of opening/closing in 2017 (RON)	74,226	8,889	30,786	34,551

NOTE 7 – SPECIFIC ACTIVITY TAX, CURRENT TAX AND DEFERRED TAX, EARNINGS PER SHARE (CONTINUED)

TABLE no. 3

Nr. No	Indicators	Total 3 stars	3 stars							
			Hora	Balada	Sirena	Cerna	Raluca	Lidia	Narcis	Siret
1	Accommodation places	3,446	566	566	566	298	260	244	640	306
	number of places – units of catering required	2,780	566	566	566	296	260	220	0	306
	number of places at bar – units of catering required	264	40	40	40	0	20	54	40	30
	number of places at bar – units of catering required	190		100					90	
2	Standard specific activity tax (k)		171	171	171	171	171	171	171	171
3	Number of working days according to the opening and closing schedule 2017		151	84	100	84	69	88	92	100
4	Specific activity tax /unit/ no. of days according to schedule of opening/closing in 2017 (RON)	160,943	40,040	22,274	26,517	11,727	8,405	10,059	27,585	14,336

TABLE no. 4

Nr. No	Indicators	Total 2 stars	2 stars									
			Prahova	Mures	Aida	Magura	Gloria	Capitol	Diana	Venus	Vraja Marii	Atena
1	Accommodation places	2,370	306	306	448	228	216	218	234	208	60	146
	number of places – units of catering required	1,180	306	0	448	0	0	218	0	208	0	0
	number of places at bar – units of catering required	60	0	0	0	0	0	0	0	60		
	number of places at bar – units of catering required	0	0	0	0	0	0	0	0			
2	Standard specific activity tax (k)		113	113	113	113	113	113	113	113	113	113
3	Number of working days according to the opening and closing schedule 2017		70	70	70	0	71	71	70	92	105	63
4	Specific activity tax /unit/ no. of days according to schedule of opening/closing in 2017 (RON)	48,305	6,631	6,631	9,709	0	4,748	4,792	5,071	5,924	1,950	2,848

NOTE 7 – SPECIFIC ACTIVITY TAX, CURRENT TAX AND DEFERRED TAX, EARNINGS PER SHARE (CONTINUED)

TABLE no. 5

No.	Indicators/Coefficients	Total public services	Cold baths buffet
1	Number of places decreased	30	30
2	Standard tax value(k)	1,400	1,400
3	The variable according to the ranking of the locality(x)	5	5
4	The variable of the effective area of the location (y)	21	21
5	Seasonality coefficient(z)	0.3	0.3
6	Write-down coefficient for the technical area (q)	0.9	0.9
7	F=k*x*y*z*q(RO)	10,038	10,038

In accordance with the requirements of art.10 of Law 170/2016, related to specific activities tax for some activities taking into consideration that the entity derives revenues from other activities that aren't included in the corresponding CAEN codes subjected to the specific activity tax, applying for these activities the declaration and payment system of the tax profit provided by Law no. 227/2015 with subsequent amendments and supplements.

NOTE 7 – SPECIFIC ACTIVITY TAX, CURRENT TAX AND DEFERRED TAX, EARNINGS PER SHARE (CONTINUED)

We present, the profit/gross loss broken down on the two types of activities subjected to tax and specific activity tax:

Indicators	Tax profit	Specific activity tax	Total
	31 december 2017	31 december 2017	31 december 2017
Total revenue	8,848,107	30,279,519	39,127,626
Total taxable revenues:	1,512,631	0	1,512,631
Dividends revenues	300,000	0	300,000
Other non-taxable revenue (revenue from cancellation of provisions disputes and revenue from evaluation of the fair value investments property)	1,212,631	0	1,212,631
Deffered tax revenues	0	0	0
Similar revenue elements (tax dif. reev saled assets 2017, reev dif depreciation 2017, tax reev dif scraped assets 2017.	291,586	59,422	351,008
Total taxable elements	7,627,062	30,338,941	37,966,003
Total expenses	8,615,805	28,819,985	37,435,790
Total non-deductible	425,564	2,084,172	2,509,736
Tax profit expense	0	0	0
Deffered tax expense	51,386	176,198	227,584
Specific activity tax expense	0	293,512	293,512
Fines and penalties	3,245	52,814	56,059
Sponsorship expense	3,000	0	3,000

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Not deductible fiscal depreciation expense (fixed assets depreciation 20%, small inventory depreciation reclassified as fixed assets)	51,152	626,962	678,114
Variable allowance provision	0	0	0
Other provisions	269,365	921,805	1,191,170
Not deductible hospitality expenses (635C+6232).	1,146	312	1,458
Tax-exempt income expenses.	0	0	0
Assets held for sale fair value evaluation expenses.	43,912	0	43,912
Securities sold in the current year evaluation expenses.	0	0	0
Other not deductible expenses (acc. 612 SHMN)	1,826	9,734	11,560
Fuel expenses (602)	532	2,835	3,367
Tax depreciation expense (fixed assets tax amortization facilit.20%, tax depreciation small inventories.reclasif.as fixed assets)	70,793	642,616	713,409
Total deductible expenses	8,261,034	27,378,429	35,639,463
Gross profit	283,688	1,929,244	2,212,932
Accounting profit for the legal reserve (gross profit)	283,688	1,929,244	2,212,932
Legal reserve (5% x accounting profit for the legal reserve)	14,184	96,462	110,647
Tax loss caried forward from the previous period.	0	0	0
Taxable profit	(648,156)	2,864,050	2,215,893
Tax	0	0	0
Net profit	232,302	1,459,534	1,691,836

For the establishment of the common expenses that have been taken into account in the determination of the outcome of the tax, the company has used the method of allocation in proportion to the share of revenue from the activities concerned in the total revenues achieved.

NOTE 7 – SPECIFIC ACTIVITY TAX, 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	Tax rate	Deferred tax assets/liabilities	Differences from previous year
2017	Temporary differences recognized in profit and loss	2,421,023	16%	387,364	44,656
	Temporary differences recognized in equity	78,633,642	16%	12,581,383	(38,458)
	Temporary differences recognized in retained earnings	0	16%	0	(632)
	Total Deferred income tax at 31.12.2016	81,054,665	16%	12,968,747	5,566
2016	Temporary differences recognized in profit and loss	2,141,923	16%	342,708	(29,269)
	Temporary differences recognized in equity	78,874,003	16%	12,619,840	(461,724)
	Temporary differences recognized in retained earnings	3,945	16%	632	632
	Total Deferred tax liability as at 31.12.2017	81,015,926	16%	12,962,548	(490,994)
	Total Deferred tax assets as at 31.12.2017	3,945	16%	632	632

Earnings per share

Earnings per share is calculated by dividing the net profit attributable to shareholders of the Company for the financial year 2017 amounted to **2,943,006** RON (2016: profit 4,455,307RON) 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	
	31 December 2017	31 December 2016
Profit (loss) for the period	1,691,836	4,455,307
Profit (loss) for the period attributable to ordinary shareholders	1,691,836	4,455,307
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	0	0
Weighted average number of ordinary shares at 31 December	578,949,939	578,949,939
Earnings per share (basic)	0.0029	0.0077
Profit attributable to ordinary shareholders (basic)	1,691,836	4,455,307
Convertible bonds interest expenses after tax	0	0
Profit attributable to ordinary shareholders (diluted)	1,691,836	4,455,307
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	0
Effect of share options issued	0	0
Weighted average number of ordinary shares (diluted) at 31 December	578,949,939	578,949,939
Earnings per share (diluted)	0.0029	0.0077

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NOTE 8 - TANGIBLE NON-CURRENT ASSETS

RON

Description	Property	Plant	Equipment	Furniture and Fixtures	Work in progress	Total
0	1	2	3	4	5	6
Cost or assumed cost						
Balance at January 1. 2016	95,421,151	112,214,267	14,955,929	13,825,436	4,004,687	240,421,470
Acquisitions	0	12,237,496	997,245	1,956,306	15,224,923	30,415,970
Disposals of non-current assets	(11,801,418)	(12,656,786)	(477,930)	(777,320)	(17,873,878)	(43,587,332)
Reclassification of inventory items in fixed assets	0	0	939,987	1,219,755	0	2,159,742
Balance at December 31. 2016	83,619,733	111,794,977	16,415,231	16,224,177	1,355,732	229,409,852
Balance at January 1. 2017	83,619,733	111,794,978	16,415,232	16,224,177	1,355,732	229,409,852
Acquisitions	0	3,395,036	11,276	10,622	4,247,447	7,664,381
Reclassification of inventory items in fixed assets	547,563	1,019,144	9,515	14,252	0	1,590,474
Disposals of non-current assets	(163,976)	0	(16,852)	(2,350)	(4,611,894)	(4,795,072)
Tangible assets classification in assets held for sale exists.	(24,264,864)	(2,852,666)	(13,771)	(1,573)	0	(27,132,874)
Balance at December 31. 2017	59,738,456	113,356,492	16,405,399	16,245,128	991,285	206,736,761

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NOTE 8 - TANGIBLE NON-CURRENT ASSETS (CONTINUED)

Description	Property	Plant	Equipment	Furniture and Fixtures	Work in progress	Total
Amortization and impairment losses						
Balance at January 1. 2016	0	1,302	6,113,306	3,755,078	0	9,869,686
Period amortization	0	3,221,819	1,879,310	1,579,378	0	6,680,508
Impairment losses	4,118	0	0	0	0	4,118
Amortization of non-current assets (reduction)	0	(107,624)	(27,054)	(95,682)	0	(230,360)
Balance at December 31. 2016	4,118	3,115,497	7,965,562	5,238,774	0	16,323,952
Balance at January 1. 2017	4,118	3,115,497	7,965,562	5,238,774	0	16,323,952
Period amortization	0	3,265,387	1,807,035	1,507,863	0	6,580,284
Impairment losses	0	0	0	0	0	0
Amortization of non-current assets (reduction)	0	(46,098)	(15,813)	(1,349)	0	(63,260)
Balance at December 31. 2017	4,118	6,334,786	9,756,784	6,745,288	0	22,840,976
Balance at January 1. 2016	95,421,151	112,212,965	8,842,623	10,070,358	4,004,687	230,551,784
Balance at December 31. 2016	83,615,615	108,679,480	8,449,669	10,985,403	1,355,732	213,085,899
Balance at January 1. 2017	83,615,615	108,679,480	8,449,669	10,985,403	1,355,732	213,085,899
Balance at December 31. 2017	59,734,338	107,021,707	6,648,615	9,499,840	991,285	183,895,784

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NOTE 8 - TANGIBLE NON-CURRENT ASSETS (CONTINUED)

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

The company 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 company on 31.12.2017 related assets located in its patrimony are **107,511,069** RON and cannot be distributed to shareholders

Taking into consideration the investments in year 2016, regarding some of the company's assets, investments that increased significantly their value, conducting to the improvement of the initial technical parameters, in accordance with. HG 2139/2004 relating to the "Catalog concerning the classification and the useful life of fixed assets - Section III - "Further clarification ", the useful life was increased by 5 years, starting with January 1, 2017, as it follows:

Noinv	Building	Assets value before investments (RON)	Investments value year 2016 (RON)	UL at 31.12.2016	UL starting with 01.01.2017
10105	Building Restaurant Aida in Saturn	354,011.42	143,229.39	25 years and 11 months	30 years and 11 months
10066	Building Restaurant Cerna in Saturn	83,076.00	345,173.91	24 years and 3 months	29 years and 3 months
10056	Building Hotel Aida in Saturn	3,784,116.00	365,192.27	25 years and 11 months	30 years and 11 months
10052	Building Hotel Balada in Saturn	2,056,235.00	1,293,060.63	25 years and 11 months	30 years and 11 months
10065	Building Hotel Cerna in Saturn	930,647.00	823,185.13	24 years and 3 months	29 years and 3 months
10057	Building Hotel Hora in Saturn	3,067,216.00	1,303,223.65	25 years and 11 months	30 years and 11 months
10050	Building Hotel Narcis in Saturn	7,714,034.00	5,905,620.46	25 years and 11 months	30 years and 11 months
100516	Building Hotel Lidia in Venus	4,446,584.00	193,339.70	29 years and 6 months	34 years and 6 months
100407	Building Restaurant Lidia in Venus	165,296.00	599,389.01	20 years and 1 month	25 years and 1 month

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As a result of investments made in 2016, it has set for assets a new useful life regarding Buffet Narcis in Saturn, according to the following table:

Noinv	Building	Asset value before investment (RON)	Investments 2016 (RON)	UL at 31.12.2016	UL starting with 01.01.2017
10274	Buffet building Narcis	15.00	128,613.79	0 years	12 years

For tangible non-current assets, the Company 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.

The company has signed a novation contract with Porsche Mobility SRL which takes over from Transilvania Hotels & Travel SA rights and obligations arising from operating leases of an Volkswagen car. The lease payments meaning leasing rates (rents). administration fees. management taxes. RCA. vignette etc. are recognized as expenses over the contract period.

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

The company owns:

- all the presented assets,
- a total land area of **462,640.96** square meters, as:
 - 421,195.42 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.

NOTE 8 - TANGIBLE NON-CURRENT ASSETS (CONTINUED)

Pledged, mortgaged and restricted assets

On 31.12.2017, the company has established mortgages on these assets:

- 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 2018, at 31.12.2017, 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 31.12.2017, final balance 2,000,000 RON.

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

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NOTE 8 - TANGIBLE NON-CURRENT ASSETS (CONTINUED)

In 2017, the Society invested **4,424,384** RON (including VAT), the main investment objectives achieved by the company being the following:

		RON
No.	The investment objective	Value
1	Rehabilitation and installations execution of ventilation and air conditioning, ventilation and air conditioning system, painting walls, electrical installations and sanitary Hotel Cleopatra	980,510
2	Outside wall painting, electrical installations and sanitary R Brad, H Lidia, H Atena, H Cerna, H Mures, H Prahova, H Siret, H Capitol, R Balada, Balada Swimming Pool, R Venus, R Lidia, R Bega, R Hora, R Siret, R Sirena, R Prahova, H Raluca, R Aida, H Hora, H Vraja Marii	549,085
3	Fitting of 114 pieces of entry doors, carpet, work on the doors, electrical and sanitary installations at Hotel Balada.	375,116
4	Construction works, underlayment and other work R Cleopatra, BBB swimming pool, R.Orion, R Narcis, Piscina Cleopatra, CT Vraja Marii, R.Capitol, H Gloria, GG Jupiter	296,170
5	Outside walls painting, sanitary installations Restaurant Cerna	254,778
6	Air condition rehabilitation, electrical and sanitary installation Hotel Sirena	227,050
7	Sanitary remedation, electrical and sanitary installations Hotel Aida	214,269
8	Ventilation and air condition rehabilitation, outside wall painting sanitary installation rehabilitation Hotel Bran	198,736
9	Ventilation and air condition rehabilitation, outside wall painting sanitary installation rehabilitation Hotel Brad	191,162
10	Ventilation and air condition rehabilitation, outside wall painting sanitary installation rehabilitation Hotel Bega	183,812
11	Underlayments and other work hotel Diana	146,246
12	Sanitary groups rehabilitation Hotel Tosca	113,049
13	Sanitary groups rehabilitation (8 sanitary groups) and other works, Hotel Venus	94,176
14	Outside walls painting and other electrical installation rehabilitation H Magura, Bai Reci Ef.Sud, Bufet Narcis, Spalatoria Saturn	86,803
15	Drawing board authorisation ISU R Lidia, H Lidia, R Sirena, R Balada, R Hora, R Narcis, H Sirena, H Narcis, H Hora, R Cleopatra, H Cleopatra, H Balada, R Brad, H Brad, H Bega, H Bran, R Bega, R Capitol, H Capitol si fire intervence scheme complex Narcis	55,302
16	Outside walls painting R Magura, R Minerva, R Sulina, R Dunarea, CP 3, Bakery Saturn, Raluca swimming pool	36,811
17	Economic Management system implementation Clarvision (program , server)	14,622
18	Playground improvements at swimming pool Cleopatra and Balada	10,622
19	Other upgrades	10,329
	TOTAL INVESTMNETS without VAT	4,038,646
	VAT	383,671
	TOTAL INVESTMENTS including VAT	4,424,384

NOTE 9 - INTANGIBLE ASSETS

	RON	
EXPLANATION	31 December 2017	31 December 2016
I) Book value of intangible assets:	2,340,658	2,250,600
Licenses + projects	1,668,784	1,660,975
Other intangible assets	671,874	589,625
II) Decreases (amortization):	1,944,206	1,764,506
Licenses + projects	1,373,829	1,176,705
Other intangible assets	570,377	587,801
III) Net book value	396,452	486,094
a) Licenses + projects	294,955	484,270
b) Other intangible assets	101,498	1,824

Increase is mainly due to the carrying out of work required under the legislation of the Emergency Situation Inspectorate in force (drawing up reports of analysis, in order to authorise the Emergency Situation Inspectorate, drawing up intervention plans in the event of fire).

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 company, 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.

NOTE 10 – INVESTMENT PROPERTIES

Investment properties are measured at 31.12.2017 using the fair-value model and are disclosed as follows:

RON

Explanation	31 December 2017	31 December 2016
Complex Claudia (land+building)	1,484,529	1,376,054
Rapsodia restaurant (building)	0	264,658
Complex Minerva (land+building)	807,441	749,580
Complex Miorita (land+building)	7,819,118	7,115,782
Complex Semiramis (land+building)	5,968,634	5,788,432
Apollo Tennis court	0	4,482
Hora kindergarten building	0	33,799
Atelier Mecanic Saturn land	675,272	631,584
Semiramis beach buffet land	436,118	386,380
Total	17,191,112	16,350,751

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 company'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 and it is a corporate member of ANEVAR certified by nr. 0250/01.01.2016.

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 incomes are 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 PROPERTIES (CONTINUED)

In the year 2017 the following assets have emerged through reclassification:

- asset restaurant Rapsodia, by being classified as assets held for sale;
- the assets of kindergarten Hora and field tennis land improvement Apollo, returning into the category of tangible assets, without obtaining rental income in the last 2 years.

Fair value adjustments to assets classified as investment property in profit and loss account at 31.12.2016 after the evaluation from 31.12.2016 are:

RON

Explanation	31 December 2017			31 December 2016		
	Gains from fair value measurement of investment properties	Losses from fair value measurement of investment properties	Gains/Losses	Gains from fair value measurement of investment properties	Gains/losses from fair value measurement of investment properties	Gains/Losses
Complex Claudia (land+building)	108,475	0	108,475	39,639	0	39,639
Complex Minerva (land+building)	57,861	0	57,861	32,298	0	32,298
Complex Miorita (land+building)	703,336	0	703,336	35,434	0	35,434
Complex Semiramis (land+building)	180,202	0	180,202	94,126	0	94,126
Machine Shop Saturn – land	43,688	0	43,688	30,178	0	30,178
Semiramis beach buffet – land	49,738	0	49,738	1,413	0	1,413
Total	1,143,300	0	1,143,300	233,088	0	233,088

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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 company 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 company 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.

RON

Other investment	31 December 2017			31 December 2016		
	Book value	Impairment	Net book value	Book value	Impairment	Net book value
Long-term investments						
Shares at Balneoterapia Saturn S.R.L	2,000	0	2,000	2,000	0	2,000
Shares at Transilvania Hotels&Travel S.A.	2,432,010	0	2,432,010	2,432,010	0	2,432,010
Long-term investments	2,434,010	0	2,434,010	2,434,010	0	2,434,010

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NOTE 11 – FINANCIAL ASSETS (CONTINUED)

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 Balneoterapia Saturn SRL and Transilvania Hotels&Travel SA being recognized at financial assets:

RON			
Company	Share capital %	31 December 2017	31 December 2016
Balneoterapia Saturn S.R.L	100,000%	2,000	2,000
Transilvania Hotels&Travel SA	32.059%	2,432,010	2,432,010

Balneoterapia Saturn SRL has a share capital of 2,000 RON, comprising 20 shares and has the Registered office: Lavrion Street, no. 29. Mangalia, Constanta.

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 31.12.2017	Balance at 31.12.2017	Adjustments for depreciation 31.12.2017	Book value (RON) at 31.12.2017
Raw materials	0	0	0	0
Materials (without price differences and VAT)	430,736	38,304	469,040	600,313
Inventories	2,618	0	2,618	6,108
Finished goods	0	0	0	0
Raw materials and consumables at third parties	0	0	0	3,254
Merchandise	4,153	0	4,153	2,931
Packaging materials	4,621	0	4,621	4,621
Advances for inventories acquisitions	0	0	0	110
Total	442,128	38,304	480,432	617,337

Inventories of materials used for investments acquired in order to complete ongoing investments.

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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

No	Name	Receivables at 31.12.2017	Allowances at 31.12.2017	Net book value of receivables 31.12.2017	Net book value of receivables 31.12.2016	Variation of receivables 2017/2016 (%)
1	Trade receivables from which:	1,501,784	1,219,460	2,721,244	2,098,772	129.66%
	<i>Transylvania Hotels&Travel SA</i>	670,329	0	670,329	445,762	150.38%
2	Receivables from state budget	3,228,288	0	3,228,288	3,884,928	83.10%
3	Debtors active sales	0	0	0	31,585	0.00%
4	Sundry debtors	216	0	216	18,885	0.00%
5	Long term receivables	453,572	0	453,572	453,572	100.00%
6	Deferred tax assets	951,078	0	951,078	941,069	101.06%
7	Other receivables	138,533	0	138,533	45,851	302.14%
	Total	6,273,471	1,219,460	7,492,931	7,474,662	100.24%

The Company's receivables consist mainly of tourism services in amount of 2,721,244 RON adjusted to 1,219,460 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 3,180,194 RON (due to investments and purchases made).

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NOTE 13 – RECEIVABLES (CONTINUED)

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

RON

No	Receivables	Total at 31.12.2017	Under 30 days	30-180 days	181-365 days	>1 year
1	Trade receivables from which:	2,721,244	59,343	864,253	14,073	1,783,575
	<i>Transilvania Hotels & Travel SA</i>	670,329	772	225,964	0	443,593
2	Receivables from state budget	3,228,288	27,410	589,410	191,263	2,420,205
3	Debtors active sales	0	0	0	0	0
4	Sundry debtors	216		67	0	149
5	Long term receivables	453,572	0		0	453,572
6	Deferred tax assets	951,078	10,009	0		941,069
7	Other receivables	138,533	64,802	31,800	0	41,931
	TOTAL	7,492,931	161,564	1,485,531	205,336	5,640,501

NOTE 14 - ACCRUED EXPENSES

RON

Accrued expenses	31 December 2017	31 December 2016
Inventory use	742,361	881,413
Exploitation of mineral resources annual tax	137	137
Vignette tax	184	268
Insurance policies	39,334	41,455
Total accrued expenses	782,016	923,273

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NOTE 15 - CASH AND CASH EQUIVALENTS

RON		
Explanation	31 December 2017	31 December 2016
Bank accounts in RON	4,414,332	7,259,983
Bank account in foreign currencies	900	74,710
Petty cash in RON	18,308	1,504
Other values	5,603	1,338
Total	4,439,143	7,337,535

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NOTE 16 –NON-CURRENT ASSETS HELD FOR SALE

RON

NO	Category	Book value of non-current assets held for sale in 2017	Book value of assets disposed or disposed through reclassification in 2017	Book value of non-current assets held for sale at 31.12.2017	Book value of non-current assets held for sale in 2016	Book value of non-current assets sold in 2016	Book value of non-current assets held for sale at 31.12.2016
1	Restaurant Minerva	149,433	0	149,433	0	0	0
2	Restaurant Sulina	88,351	0	88,351	0	0	0
3	Restaurant Dunarea	174,688	0	174,688	0	0	0
4	Complex Atena (hotel + restaurant)	1,311,461	0	1,311,461	0	0	0
5	Complex Tosca (Hotel + restaurant + buffet)	113,049	0	2,890,022	0	0	2,776,973
6	Stop on the tour Saturn	32,213	0	32,213	0	0	0
7	CP 3 Saturn	179,061	0	179,061	0	0	0
8	Restaurant Pelican	145,092	0	145,092	0	0	0
9	GG Jupiter	451,633	0	451,633	0	0	0
10	Bakery Saturn	19,035	0	19,035	0	0	0
11	Restaurant Mercur	4,110	117,790	0	0	0	113,680
12	Complex Venus (Hotel + restaurant)	0	1,010,910	0	0	0	1,010,910
13	Garden/restaurant Rapsodia	264,658	43,912	315,431	0	0	94,685
14	Hotel Ancora	0	0	258,532	0	0	258,532
15	Complex Capitol (Hotel + restaurant)	60,862	0	543,884	0	0	483,022
16	Hotel Gloria	43,414	0	485,240	0	0	441,826
17	Complex Magura (Hotel + restaurant)	32,881	0	1,526,033	0	0	1,493,152
18	Hotel Riviera	0	0	464,177	0	0	464,177
19	Hotel Meteor	246,812	0	246,812	0	0	0

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20	CT Neon	75,334	205,369	0	0	0	130,035
	TOTAL BUILDINGS	3,392,088	1,377,982	9,281,098	0	0	7,266,992
1	Land Restaurant Minerva	1,813,760	0	1,813,760	0	0	0
2	Land Restaurant Sulina	1,458,496	0	1,458,496	0	0	0
3	Land Restaurant Dunarea	1,183,104	0	1,183,104	0	0	0
4	Land Complex Atena (hotel + restaurant)	1,251,952	0	1,251,952	0	0	0
5	Land Complex Tosca (Hotel + restaurant + buffet)	0	0	2,602,496	0	0	2,602,496
6	Land – stop on the tour Saturn	15,890,160	0	15,890,160	0	0	0
7	Land CP 3 Saturn	791,024	0	791,024	0	0	0
8	Land Restaurant Pelican	668,304	0	668,304	0	0	0
9	Land GG Jupiter	1,080,560	0	1,080,560	0	0	0
10	Land - Bakery Saturn	127,504	0	127,504	0	0	0
11	Land Restaurant Mercur	0	222,949	0	0	0	222,949
12	Land Complex Venus (Hotel + restaurant)	0	547,563	0	0	0	547,563
13	Land - Garden Rapsodia	0	0	233,022	0	0	233,022
14	Land - Hotel Sport	163,976	163,976	0	0	0	0
15	Land - Snack Bar Carmen	0	0	39,050	0	0	39,050
16	Land complex Cocorul acces way	0	0	95,483	0	0	95,483
	TOTAL LANDS	24,428,840	934,488	27,234,915	0	0	3,740,563
	TOTAL ASSETS HELD FOR SALE	27,820,928	2,312,470	36,516,013	0	0	11,007,555

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

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

2017			2016		
Income from disposal of non-current assets held for sale	Expenses from disposal of non-current assets held for sale	Profit/Loss	Income from disposal of non-current assets held for sale	Expenses from disposal of non-current assets held for sale	Profit/Loss
1,382,160	(710,084)	672,076	10,817,589	(5,609,735)	5,207,854

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

Assets classified as held for sale were revalued during year 2017 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. The assets classified as held for sale have been assessed, a part of them in the course of the year 2017, and other have been valued at 31.12.2017, the resulting values being higher than the value recorded in the accounts, with the exception of the restaurant/garden Rapsodia in Eforie Nord whose assessed has been smaller than that of recorded in the accounts, resulting in this case a loss which has been recognized in the profit and loss account. Shown in the accounts of other assets held for sale has been effectuated at book value.

NOTE 17 - SHARE CAPITAL, OWNERSHIP STRUCTURE AND CHANGES IN SHARE 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 in share capital did not change.

Of the total number of shares issued and outstanding at December 31, 2017 and December 31. 2016:

- 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.

NOTE 17 - SHARE CAPITAL, OWNERSHIP STRUCTURE AND CHANGES IN SHARE CAPITAL (CONTINUED)

During 2017 the share capital has not changed, the structure of shareholders at 31.12.2017 communicated from BVB website is as follows:

Shareholders' name	Percent(%)	Shares	Share capital amount(RON)
SIF Transilvania S.A.	77.7131%	449,920,140	44,992,014.00
Other corporate and individuals shareholders	22.2869%	129,029,799	12,902,979.90
TOTAL	100.0000%	578,949,939	57,894,993.90

The Company 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 starting from 15 august 2002 with symbol "EFO". In the last trading day of 2017, 29.12.2017, the closing price of EFO was 0.098 RON/share compared to 0.0826 RON/share at 31.12.2016.

RON

Explanation	31 December 2017	31 December 2016
Revaluation surplus	107,511,069	107,996,624
Reserves	22,894,846	22,542,869
Reserves due to IAS29 application	16,745,901	16,745,901
Total reserve	147,151,816	147,285,394

The revaluation surplus refers to property and plant of the company and it was generated by the revaluations of tangible non-current assets in the years of 1999, 2002, 2003, 2005, 2007, 2009, 201, 2012 and 2015.

Revaluation differences were reduced in 2017 on account of assets sold, scrapped or returned and transferring it to retained earnings.

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NOTE 19 - RETAINED EARNINGS

RON

Element name	31.12.2017	Increase	Decrease	31.12.2016
Retained earnings except retained earnings from the adoption of IAS 29 for the first time	53,380,723	4,981,711	5,254,651	52,860,602
Retained earnings representing non-distributed benefits	0	4,455,307	4,455,307	0
Revaluation surplus transferred to retained earnings	53,356,177	485,555	0	52,870,621
Retained earnings from correction of accounting errors from previous years	(768,515)	41,479	799,344	(10,650)
Retained earnings from adoption of IFRS	0	(631)	0	631
Retained earnings came following the application of IAS 29 for the first time	(102,691,275)	0	0	(102,691,275)

NOTE 20 - OTHER ELEMENTS OF EQUITY

RON

Other elements of equity	31 December 2017	31 December 2016
Deferred tax recognized in equity	(12,580,197)	(12,618,655)
Profit distribution to legal reserve	(110,647)	(277,117)
Total other elements of equity	(12,690,844)	(12,895,772)

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NOTE 21 - LIABILITIES. OTHERS THAN DEFERRED INCOME

RON

Short-term liabilities	Liabilities at 31.12.2016	Liabilities at 31.12.2017	under 30 days	30-90 days	91-180 days	181-270 days	between 270-365 days	> 1 year
Short term loans	3,943,232	800,000	0	0	0	600,000	200,000	0
Trade payables and other liabilities. including derivatives	4,603,177	4,550,552	4,121,616	551	194,447	34,513	1,141	198,284
Advances collected for orders	26,129	709,062	709,062	0	0	0	0	0
Trade payables	1,277,642	978,083	977,532	551	0	0	0	0
Other liabilities	3,299,406	2,863,407	2,435,021	0	194,447	34,513	1,141	194,284
Deferred tax payables	0	0	0	0	0	0	0	0
Total	8,546,409	5,350,552	4,121,616	551	194,447	634,513	201,141	198,284

Short-term liabilities consist primarily of performance guarantees granted by entrepreneurs in the amount of 2,158,066 RON, wages and related contributions in the amount of 252,900 RON for the month of December 2017, specific activity taxes amounted to 146,756 RON due to 25th January 2018, administration warranties in amount of 198,284 RON, shareholders dividends in amount of 421,192 RON, from deferred tax and from a short term investment credit in amount of 800,000 RON.

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

RON

Long-term liabilities	Liabilities at 31.12.2016	Liabilities at 31.12.2017	1-5 ani	> 5 ani
Long-term loans	2,400,000	1,600,000	1,600,000	0
Trade payables and other liabilities. including derivatives	208,539	39,735	39,735	0
Trade payables	0	0		
Other liabilities	208,539	39,735	39,735	0
Deferred tax liabilities	12,960,731	13,160,498	13,160,498	0
Total	15,569,270	14,800,233	14,800,233	0

Long-term liabilities are formed from the performance warranty given by the entrepreneurs amounted to 39,735RON and from deferred income tax and from a fraction from an investment credit amounted to 1,600,000 RON

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NOTE 22 - PROVISIONS

The Company 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. For the retirement bonuses to be paid in 2017, the company estimated a provision.

At December 31 2017 the Company had established the following provisions:

- Provision for copyrights amounted to 22,413 RON due to the Union of Phonogram Producers in Romania,
- Provision of 34,168 RON representing an artist fee for 2013 and 2014, represented through CREDIAM Bucuresti,
- Provision in the amount of 352,547 RON representing television fee that would be due by Romanian Television Society 2012-2015,

The Company has canceled in 2017 a provision amounted to 60,564RON afferent to the final sentence related to the use of Meteor Hotel land and a provision of 8,000RON related to the court decision concerning the pronounce sentence regarding the cancellation of the fine granted to the ANAF, because of non-issue of an receipt in Hotel Bran.

RON

Explanation	31.12.2017	Installing provisions in 2017	Cancelling provisions in 2017	31.12.2016
Provisions for litigations	409,128	0	69,330	478,458
Provisions for pensions	24,841	0	0	24,841
Total Provisions	433,969	0	69,330	503,299

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Compared to 2016, in the year 2017 were carried out transactions with related parties as set out in the tables below. Values presented include value added tax.

RON

Receivables		
Related parties	Financial year ended at 31.dec.2017	Financial year ended at 31.dec .2016
Transilvania Hotels&Travel SA	670,329	445,762
Balneoterapia Saturn SRL	5,639	5,714
TOTAL	675,968	461,476

Liabilities		
Related parties	Financial year ended at 31.dec.2017	Financial year ended at 31.dec .2016
Transilvania Hotels &Travel SA	223,683	0
Balneoterapia Saturn SRL	359,004	920,157
TOTAL	582,687	920,157

Sales		
Related parties	Financial year ended at 31.dec.2017	Financial year ended at 31.dec .2016
Transilvania Hotels &Travel SA	725,601	11,897,374
Balneoterapia Saturn SRL	453,656	382,680
TOTAL	1,179,257	12,280,054

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NOTE 23 - RELATED PARTIES TRANSACTIONS (CONTINUED)

Acquisitions		
Related parties	Financial year ended at 31.dec.2017	Financial year ended at 31.dec .2016
Transilvania Hotels and Travel SA	319,589	12,658
Balneoterapia Saturn SRL	1,810,914	2,071,593
TOTAL	2,130,503	2,084,251

Credit line balance		
Related parties	Financial year ended at 31.dec.2017	Financial year ended at 31.dec .2016
Transilvania Leasing and Credit IFN SA	0	3,143,232
TOTAL	0	3,143,232

Credit line payments		
Related parties	Financial year ended at 31.dec.2017	Financial year ended at 31.dec .2016
Transilvania Leasing and Credit IFN SA	3,156,980	2,791,943
TOTAL	3,156,980	2,791,943

Interest and fees		
Related parties	Financial year ended at 31.dec.2017	Financial year ended at 31.dec .2016
Transilvania Leasing and Credit IFN SA	16,465	80,341
TOTAL	16,465	80,341

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 didn't set up adjustments for impairment regarding the 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 Company is involved in litigations, mainly relating to assets and land claims as follows:

- No use of 3 lands amounting to 848 square meters in Eforie occupied by Hotel Riviera (partially) and workshops, of conflicted with Georgescu Zamfirica and Georgescu Magdalene.

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

The company 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 Appeal 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 company recognized and estimated that the amount due of 1.577.262 RON represents:

- 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 Company also has an ongoing litigation:

- 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 Company of the amounts given in behalf of the selling-buying contract having as object Flora Vila and the improvement operated on the Vila.

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

- with the Romanian Television Company concerning the reimbursement by the company, the amount of 681,080 RON representing the counterpart of duty unpaid TV during the period May 2016 - September 2014. From this amount, the company has established a provision in the amount of 352,547 RON.

Preparation of financial statements in accordance with IFRS has involved the use of the company's management to make judgments in applying accounting policies with implications carrying amount of assets and liabilities in the separate 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 Company. 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 asset is 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 company would have to reduce its provisions made for these claims. However, the company 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

The company's specific activity determine the company'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 Company.

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

In their activity, the company 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 company 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.

NOTE 26 - SIGNIFICANT RISK MANAGEMENT POLICY (CONTINUED)

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

- exchange rate risk
- interest rate risk
- credit risk
- liquidity risk
- operational risk

Exchange rate risk

The company is easily exposed to the fluctuations of 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 company 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 Company 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 Company 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 Company 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 2017. as:

RON

<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	4,439,143	4,439,143	0	0	0
Trade receivables and other receivables	13	6,273,471	1,534,708	3,180,194	453,572	1,104,997
Inventories	12	442,128	0	437,532	4,596	0
Other current assets		782,016	135,809	354,763	291,444	0
Non-current assets including non-current assets held for sale		240,433,371	0	0	0	240,433,371
Total assets		252,370,129	6,109,660	3,972,489	749,612	241,538,368
Liabilities						
Provisions	22	433,969	0	0		433,969
Trade payables and other payables	21	20,150,785	4,122,166	1,228,386	1,639,735	13,160,498
Deferred income (Grants)		0	0	0	0	0
Total liabilities		20,584,754	4,122,166	1,228,386	1,639,735	13,594,467
						0
Liquidity surplus in the period		231,785,375	1,987,493	2,744,103	(890,123)	227,943,901
Cumulative liquidity surplus		231,785,375	1,987,493	4,731,596	3,841,473	231,785,375

NOTE 26 - SIGNIFICANT RISK MANAGEMENT POLICY (CONTINUED)

Capital management

Company'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 Company may change the amount of dividends paid to shareholders, shareholders capital yield, issue new shares or sell assets to reduce debts.

The Company 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>	2017	2016
Total liabilities (long and short term)	20,584,754	24,966,677
Cash and cash equivalents	4,439,143	7,337,535
Total equity	231,785,375	234,750,438
Net liabilities indicator	(215,639,763)	(217,121,296)

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 company.

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.

NOTE 27 –SUBSEQUENTEVENTS

We have no knowledge about events after the balance sheet date that would lead to significant influence on the data presented in the separate financial statements prepared for the financial year 2017.

NOTE 28 - BOARD OF DIRECTORS PROPOSAL FOR ALLOCATING NET PROFIT

At the end of 2017 the Company registers

- Retained loss in amount of **768,515.72** RON from the correction of accounting errors, **10,650** RON representing the recording in 2016 of the expenses related to services provided by Man-Co SRL in 2015, **793,063** RON representing the value of projects drawn up in order to upgrade the base materials, not in use until this date, the expenses related to the period 2009-2012), loss on which the board of directors proposes to be covered from the "retained earnings representing the revaluation reserve surplus account (1175);

- a net profit of **1,691,836** 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:	110,647.00 RON,
- Distribution of dividends to shareholders	741,711.59 RON,
- Allocation fund development	839,477.41 RON,

The separate financial statements were approved by the Board of Directors on March 15, 2018 and were signed by:

CHAIRMAN OF THE BOARD OF DIRECTORS
NARCISA MOSOIU

CHIEF FINANCIAL OFFICER
DANIELA TUDOR