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

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INDEPENDENT AUDITORS' REPORT
(Free translation)

To the Shareholders of
S.C. TURISM, HOTELURI, RESTAURANTE MAREA NEAGRĂ S.A MANGALIA

1. We have audited the accompanying consolidated financial statements of SC Turism, Hoteluri, Resturante Marea Neagră SA Mangalia („the Company"), which comprise the statement of financial position as at December 31, 2014, and the statement of comprehensive income, statement of changes in equity, statement of cash flows and notes to consolidated financial statements for the year then ended, represented by:

- Net profit:	6,033,021 lei
- Incomes:	47,223,130 lei
- Total assets:	234,708,096 lei

Management's Responsibility for the Consolidated Financial Statements

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

3. This responsibility includes:

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

ii) selecting and applying appropriate accounting policies;

iii) achieving reasonable accounting estimates for the circumstances.

Auditor's Responsibility

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

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

6. Description of an audit:

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

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

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

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

Basis for Qualified Opinion

7. During the year ended 31 December 2014, the Company has capitalised in cost of self-constructed assets, operational expenses represented by demolition and dismounting costs amounted to 434,904 lei (405,861 lei as at 31 December 2013, 1,013,157 lei as at 31 December 2012) incurred in preparing the work in the upgraded investment objectives, which practice, in our opinion, is not in accordance with IAS 16 Property, plant and equipment, paragraph 22 which states*: "The cost of a self-constructed asset is determined using the same principles as for an acquired asset […]. Therefore, any internal profits are eliminated in arriving at such costs. Similarly, the cost of abnormal amounts of wasted material, labour, or other resources incurred in self-constructing an asset is not included in the cost of the asset."* and paragraph 13 which states *"Parts of some items of property, plant and equipment may require replacement at regular intervals […] an entity recognises in the carrying amount of an item of property, plant and equipment the cost of replacing part of such an item when that cost is incurred if the recognition criteria are met. The carrying amount of those parts that are replaced is derecognised in accordance with the derecognition provisions of this Standard".* The Company has capitalized all of these expenses without derecognising the replaced part of the assets, in accordance with the derecognition provisions prescribed by IAS 16, paragraph 67, which states that "*the carrying amount of an item of property, plant and equipment shall be derecognised on disposal or when no future economic benefits are expected from its use or disposal."* In the absence of sufficient indications and information regarding the cost of the replaced asset, in our opinion, the Company could consider the replacement cost as the cost of the replacing part of the asset under paragraph 70 of IAS 16, which clarifies the following: *"If it is not practicable for an entity to determine the carrying amount of the replaced part, it may use the cost of the replacement as an indication of what the cost of the replaced part was at the time it was acquired or constructed."*

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

Auditor's opinion

9. In our opinion, except for the effects of the matter described in the *Basis for Qualified Opinion* paragraphs 7-8, the consolidated financial statements present fairly, in all material respects, the financial position of SC Turism, Hoteluri, Resturante Marea Neagră SA Mangalia as at December 31, 2014, and its financial performance and its cash flows for the year then ended in accordance with Accounting Law no. 82/1991, republished, including subsequent amendments and additions, Order of the Minister of Public Finance of Romania no. 881/2012 on application by companies whose securities are admitted to trading on a regulated market of International Financial Reporting Standards and the Order of the Minister of Public Finance no. 1286/2012 for approval the Accounting Regulations in accordance with International Financial Reporting Standards applicable to companies whose securities are admitted to trading on a regulated market, including subsequent amendments and additions.

Report on other legal and regulatory requests

10. In accordance with the Order of Ministry of Public Finances no. 1286/2012 for approval the Accounting Regulations in accordance with International Financial Reporting Standards applicable to companies whose securities are admitted to trading on a regulated market, Article 16, point c), our commitment has been extended to review compliance of the Management Report for the year ended December 31, 2014 with the consolidated financial statements. We have read the Management Report and we have not identified financial information which can be significantly inconsistent with disclosures in the consolidated financial statements. The Management Report is not part of the consolidated financial statements.

Emphasis on matter

11. Without further qualifying our opinion on the consolidated financial statements prepared by the Company for the financial year ended 31 December 2014, we consider necessary to present the following aspects:

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

The continuous decrease of inflation and other factors related to the characteristics of the economic environment in Romania indicate that the economy whose functional currency was adopted by the Company, ceased to be hyperinflationary, affecting periods beginning 1 January 2004. Thus, amounts expressed in terms of measuring unit current at 31 December 2003 are treated as the basis for the carrying amounts in the consolidated financial statements of the Company.

The effects of hyperinflation on share capital would generate an accounting adjustment which does not affect the size of equity and would not reflect the true and fair view of the legal nature of the holdings of shareholders in SC Tourism, Hotels, Restaurants Marea Neagră SA, may give rise confusion among shareholders, because of the differences that would result to the subscribed share capital of the Company, in according with the statutory provisions on the one hand, and on the other hand obtaining such information shall be deemed as non-redundant in the context of global financial information.

11.2 The existence of litigations - as disclosed in Note 24 "Contingencies" may involve risks of ownership of assets, along with evidence of losses from other operating activities, as the litigation against Mangalia Tax Department which highlights the risk of increasing debts and additional penalties beyond the amounts recognized and assumed by the Company as at 31 December 2014 depending on evolution of the litigation.

Other matters

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

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

Timişoara, 19 March 2015

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

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

Dr. Dumitrescu Alin Constantin

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