



SC Tourism, Hotels, Restaurants Marea Neagra S.A.

Headquarters: Romania, Mangalia, Lavrion street No.29, Constanta county

Tel: + 40-241-752-452 Fax: + 40-241-755-559

No. of Trade Registry Office: J13/696/1991, CIF: RO2980547,

IBAN: RO71RNCB0117015163140001 Romanian Commercial Bank - Agency Mangalia

Capital subscribed and paid: 57.894.993.9 lei

www.thrmareaneagra.ro

Annual Report 2016

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Report of Board of Directors of SC THR Marea Neagra SA for the individual financial statements prepared for 2016

Annual Report as per: Accounting Law 82/1991, OMPF 2844/2016 on approval of accounting regulations in accordance with International Financial Reporting Standards applicable to companies whose securities are admitted to trading on a regulated market, Law 297/2004 on the capital market and CNVM Regulation no. 1/2006 regarding the issuers and operations with securities.

For financial year **2016**

Name of the company: **Turism, Hoteluri, Restaurante Marea Neagra S.A.**

Headquarters: **str. Lavrion No. 29, Mangalia, Constanta County**

Tel/Fax: **+40241-752-452/0241-755-559**

Single registration code with the Trade Register Office: **2980547**

Number in the Trade Register: **J13/696/1991**

Regulated market trading issued securities: Bucharest Stock Exchange

The share capital subscribed and paid: **57.894.993,9 lei**

Main characteristics of the securities issued by the company: **Bursa de Valori Bucuresti**

Paid capital: **57.894.993,9 lei**

Main characteristics of the securities issued by the company: registered shares, ordinary, dematerialized and indivisible with a nominal value of 0,1 lei / share.

1. Company's activity analysis

1.1.

a) Description of activity of the commercial company

Our main activity is the classification according to NACE 5510 - "Hotels" - namely the provision of accommodation, catering, spas and tourism facilities. The activity takes place in our places of business, registered and classified in accordance with regulations in force, providing all operating permits required by law.

b) Date of incorporation of the company

Commercial company was established on 05.03.1991, under the name SC Eforie SA.

The company has changed its name from Eforie SA into THR Marea Neagra SA in 2005, as per Decision of the delegated judge in Constanta Trade Registry with number 10.687/24.01.2005, and during 2011, the company moved its headquarters in Mangalia Str. Lavrion no. 29, jud. Constanta.

c) Description of significant merger and reorganization

In 2016, there were no mergers or reorganizations.

d) Description of acquisition and/or disposal of the assets



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The company was established by transforming state economic units in companies, with up capital by contribution in kind of assets represented by units in territorial disputes hotel resorts on the coast, into use during 1968-1972 and hotel units that were nationalized.

Given the age of the assets as the large volume of investments necessary to maintain their tourist circuit, the company is carrying out in accordance with the shareholders' decision a restructuring strategy and development.

In 2016, under the restructuring strategy, the company continued selling assets, and modernization of assets approved for maintaining heritage.

Revenues from the sale of assets were used as intended budget or finance the investment program, with the other owned and attracted financial sources.

1.1.1. Elements of the overall assessment:

- a) Gross profit: **5.542.344 lei** ;
- b) Total revenues: **49.530.342 lei** (of which adjustment operations and cancellation provisions and adjustments for impairment **1.084.785 lei** and deferred income tax revenue of **29.269 lei**);
- c) Turnover: **34.942.411 lei**
- d) Export: not applicable
- e) Total costs: **43.987.998 lei** ((without current income tax and deferred, **1.087.038 lei**);
- f) % of the market held: **12.80%** of the local tourism market
- g) Available in account: **7.334.692 lei**.

The company operates through its production facilities located in the tourist resorts of national interest Eforie Nord, Eforie Sud, Neptun, Venus and Saturn are among the leading companies of its kind in the country.

The company also has in its hotel units located in markets with well established positions in national; some have a growing market in Europe.

The activity is highly seasonal, being tied to the seasonal activity area or Romanian coast of the Black Sea.

To mitigate seasonality, the company has targeted investment program to develop their own capacity to provide medical treatment facilities using natural treatment factors specific date having 4 bases of its treatment in the hotel complexes "Hora", " Balada", " Sirena"- Saturn and Hotel Complex "Bran-Brad-Bega" Eforie Nord, the latter being commissioned in 2012.

Operational activity produces income that lead to a positive economic and financial results, able to ensure coverage of all operating costs, but also business growth through the development of own sources of financing programs of investments.

Concentration of revenues in a limited period of the year (June to August) involves temporary financing activities from other sources or bank loans, to be reimbursed as achieving revenue collection for the financial year in progress.



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1.1.2. Assessment of technical level of the Company

Description of the main products and/or services provided specifying:

a) Main markets for each service and distribution methods

In 2016, THR Marea Neagra SA has exploited in a number of direct management a number of 7494 beds and 10 005 places of catering, located in touring resorts on the Romanian coast of the Black Sea in units classified in category 4 * 3 * 2 *.

Its main products are packages of accommodation, catering, spas, recreation (spa, swimming pools, and cold baths mud).

An important distribution channel is the online selling through specialized sites, but also through its website sales channels fastest growing in recent years with high growth potential market.

Direct sales to receipts hotels especially on weekends, have significant share in sales, the company is organized to receive and resolve requests to hedge their optimal capabilities for services.

The tourism product of the main accommodation capacities are distributed and foreign markets under contracts with foreign partners - the European market, the main foreign partner is Thomas Cook - second worldwide tour operator that distributes product in tourism in Germany, Netherlands, Poland. In the Romanian market this partner of SC THR Marea Neagra SA holds more than half of the market share, with an upward trend in the future.

b) Structure of the income for the main categories of services

Indicators	Actual (lei)			Share of total revenue (%)			Share of total turnover business (%)		
	2014	2015	2016	2014	2015	2016	2014	2015	2016
Total revenues, excluding revenue adjustments	47.460.009	42.793.291	48.416.288	100,00	100,00	100,00			
Turnover, including:	29.559.945	34.183.783	34.942.411	62,28	79,88	72,17	100,00	100,00	100,00
- Accommodation	17.231.591	20.878.291	20.160.054	36,31	48,79	41,64	58,29	61,08	57,70
- Table	8.731.786	9.659.528	10.617.463	18,40	22,57	21,93	29,54	28,26	30,39
- Rents	367.410	526.661	1.339.102	0,77	1,23	2,77	1,24	1,54	3,83
Other income included in Fiscal Value	3.229.158	3.119.304	2.825.792	6,80	7,29	5,84	10,92	9,13	8,09

Total revenue, excluding revenue adjustments and deferred income tax recorded by the Company in financial year 2016 amounted to 48.416.288 lei increased by 13.14% compared to 2015(48.416.288 lei/ 42.793.291 lei).



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Within total revenue, turnover totals 34.942.411 lei, positive trend compared to the previous year, to 2,2% (34.942.411 lei/ 34.183.783 lei)..

Revenues composing turnover in 2016 were made from conducting activities as it follows

- Accommodation;
- Food and drink;
- Rent;
- Other income- parking, swimming pool, medical services, etc.

Percentage in the turnover structure is the income from activity of accommodation is 57.70%. Compared with 2015, they registered a slight decrease, by 3.5%, due to rental of two fully active and unfulfilled contract with the National House of Pensions.

Revenues from catering constituted in 2016, 30.39% of turnover, an increase from 2015 by around 10% (10.617.463 lei / 9.659.528 lei).

Rental activity represented a small percentage of the turnover, namely the 3.83%. Revenue from this activity in the amount of 1.339.102 lei, was superior to those recorded in 2015, the growth is significant, 254%. The situation was determined, in this respect, mainly by rental in 2016, of assets: Complex Miorita, Complex and Semiramis.

Group "Other income" reflected in the turnover achieved through the deployment of secondary activities (treatment, parking, pool) amounted to 2.825.792 lei and represents compared with 2015, a decrease of 9.5%.

c) new products contemplated in the development stage of these products

The company prioritizes conservation, the development and creation of new tourism products, given the current market requirements for such services.

Along with its products embodied in packages of accommodation, catering, spas, entertainment, the company aims to develop the capacity of existing and the development and modernization of information system allowing online reservations and other services required by tourists.

The tariff policy and contracting conditions have created incentives for agencies tour operator consisting of:

- Facilities for families with children;
- The "Early Booking " program;
- Commissioning a maximum of 20% in commissions for sales agents to charges under the contract;
- Non-commissioning of the catering services by the customer to the provider paying them a commission of 13%;
- Providing additional discounts (volume) at the end of the season.



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Special offers were launched in order to boost sales packages:

package deals during some holidays (Easter, Rusalii, St. Mary), offers to boost online sales (discounts for cashing expendable, discounts for collection of advance bookings, offers 'best deal' offer 'Last minute' discounts reservations at certain times, flight + treatment) offers boardroom, participation in programs promoted by organizations of tourism ('Seaside for all', 'Decade spa', 'Let's baths', 'A week of recovery'). Also, in order to stimulate direct sales it has been implemented on its website Bookassist for booking.

1.1.3. Assessment of the technical-material supply activity

Technical and material supply was based mainly on domestic sources of raw materials, with a few exceptions, namely investment that we used to import sources.

The company has implemented an integrated management system for quality, environment, food safety (EN ISO 9011: 2008, ISO 14001: 2005 and EN ISO 22000: 2005) which covers the segment of supply being implemented for specific operational procedures.

Purchases were made from traditional suppliers, manufacturers or importers, large companies, those with accreditation materials, ISO certified according to European norms and standards.

Suppliers are selected by a selection committee, based on established criteria and a score, reflecting mainly price/quality ratio.

With specific regard to supply sources mention that all raw materials purchased are accompanied by certificates of conformity, warranty certificates, data sheets.

Stocks of raw materials are minimal given the low season period.

1.1.4 Assessment of sales activity

a) Description of sequential sales evolution on domestic and foreign markets and sales prospects in the medium and long

The company has been operating mainly based on tourism signed service contracts with travel agencies, the National House of Public Pensions (contract treatment), foreign tourism, other beneficiaries, online sales. 2016 compared to BVC and achievements of the previous year, tourist traffic is as follows:

Days Tourist	CNPP	Agencies	Own account	Online	Other beneficiaries	TOTAL
Conducted at December 31, 2016	138.900	197.922	18.933	23.218	24.435	403.408



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BVC 2016	153.841	170.635	14.631	15.147	31.774	386.028
Differences Made-BVC 2016	-14.941	27.287	4.302	8.071	-7.339	17.380
Powered percentage 2016"BVC 2016	90,29	115,99	129,4	153,28	76,9	104,5
Powered Dec. 31. 2015	161.938	199.130	17.888	15.899	34.076	428.931
Differences Percentage 2016/made in 2015	-23.038	-1.208	1.045	7.319	-9.641	-25.523
Percentage BVC 2016/Made in 2015	85,77	99,39	105,84	146,03	71,71	94,05
Percentage REB 2016/Made in 2015	95	85,69	81,79	95,27	93,24	90
Differences BVC 2016/Made in 2015	-8.097	-28.495	-3.257	-752	-2.302	-42.903
Share structure in 2016	34,43	49,06	4,69	5,75	6,06	100
Share structure in 2015	37,75	46,42	4,17	3,7	7,94	100

As you can see, in 2016 was made a circulation of 403.408 tourist-days representing an increase over the budgeted 4.5% (403.408/368.028).

From the analysis of tourist traffic, we observe:

- Treatment contract signed with the National House of Public Pensions (CNPP) provided a tourism traffic of 138.900 thousand tourist-days in 2016 with less than 14,941 tourist days budgetary provision for this period, the progress of the contract is 92.61% . In comparison with 2015, the number of tourist days was conducted percentage of 85.77%.
- Tourist traffic through travel agencies decreased from 2015 to 1208 tourist days and to budget provisions grew by 16%. The decline in this indicator compared to 2015 was due to the failure number of tourist dayss because renting of two assets of the Company (Miorita complex and Semiramis complex). At their 2015 tourist traffic through travel agencies accounted for a total of 12,012 days-tourist.
- Segment sales for own account increased by 29.4% compared to the budgetary provisions, ie 5.84% over 2015.
- Online sales segment recorded a significant increase in 2016 compared to 2015 (146.03%) and to BVC with 153.28%.
- The company signed contracts with other beneficiaries (unions, associations, sports federations, etc.) based on which there has been a tourist circulation of 24,435 days-tourist, compared with 31,774 tourist days budgeted, representing 76.90% from budgetary provisions.

Another indicator of tourist traffic, the number of tourists registered a similar evolution to that expressed in tourist days in their own on-line and the average stay registered similar values to those of last year.



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Explanations	Treatment	Agencies	Own account	Other beneficiaries	Online	TOTAL
Number of tourists in 2016	8.460	31.485	5.891	4.071	6.226	56.133
Number of tourists in 2015	10.056	32.821	6.307	6.893	4.265	60.342
Differences 2016/2015	-1.596	-1.336	-416	-2.822	1.961	-4.209
% 2016/2015	84,12%	95,92%	93,40%	59,06%	145,97%	93,02%
% 2016/Partners	15,07%	56,09%	10,49%	7,25%	11,09%	100,00%
% 2015/Partners	16,66%	54,39%	10,45%	11,42%	7,06%	100,00%
The average stay						
Arrival Environment 2016	16	6,29	3,21	6	3,72	7,18
Arrival Environment 2015	16	6	2,84	5	3,72	7,10
Differences 2016/2015	0	1,04	1,13	1,2	0	1,01

From analysis of the above resulted indicator average tourist stay a positive evolution in 2016, representing 7,18 days average stay from 7,10 days average stay in 2015, growth is mainly made from their own (3,21/2,84) and the agencies (6,29/6,00).

The average occupancy rate in 2016 was 59,15% compared to 2015 when it recorded 59,00%.

In the coming years we will continue in the adaptation of tariff policy and contracting market demands, creating favorable circumstances for agencies tour operator, granting discounts for volume, facilities for families with children, policy Registrations early failure commissions for sellers and bring benefits stimulate the sale of food. We pay more attention to online sales segment. We envisage the development of special offers designed to ensure an increase in tourist traffic and to continuously adapt the tourism product to market developments.

b) Description of the competitive environment, the market share of the services and the main competitors

The company operates in an area where the main activity is the very object of our activity, namely the provision of accommodation, food, entertainment, the main attraction representing a beach and bathing water quality of the Black Sea and curative qualities the main natural resources spa cure, mud Techirghiol, Techirghiol Lake water, mesothermal sulphurous water, sea water and marine aerosols.

The area has the highest concentration of tourist capacities, creating a highly competitive environment, but also nondetermination, individual development generating increasing the attractiveness



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of the area, which resulted in the employers' organization of companies that establish common objectives and partnerships with local authorities.

Real competition is the external market with similar products, tariff policy distinguishing, identifying in this market as a competitor Bulgarian coast.

c) Description of any significant dependent society to a single client or to a company of clients whose loss would have a negative impact on company earnings

The tourism products of T.H.R. Marea Neagra S.A. have a wide national distribution and are available on all distribution channels (travel agents, websites, direct sales, etc.). As a result, the disappearance of a distribution partner will not significantly affect the tourism product.

An important customer is the National House of Public Pensions. Given that public procurement of this partner is retirees from the public sector by not buying these services do not cancel CNPP consumer demand. Health treatment is a necessary and ongoing product will sit on other distribution channels so that consumers can get to acquire the necessary product.

Correlated with the fact that our product is customized spa treatment, known and proven in the market, we will not encounter major difficulties with negative revenue impact if one of our main partners would withdraw from the market.

1.1.5. Assessment of aspects of employees/staff company

a) Regarding the human resources available locally in 2016 compared to 2015, the evolution of personnel was as follows:

No crt.	Indicators	No average 31.12.2015	No average 31.12.2016	No pers on 31.12.2016
A	No permanent staff of which:	117	117	114
1	Personal Tesa	41	40	38
2	Personal Force	76	77	76
B	No seasonal staff	237	237	22
	Total	354	354	136
C	Directors and executive management	5	6	6

Compared to 2015, there is an average number of maintenance staff.

The situation in the dynamics of gross wages compared to income is as follows:



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Nr. crt.	Indicator	2015	2016	%
1	Expenditure gross salary(lei)	6.160.974	7.337.480	119,10
2	Average number employees	354	354	100,00
3	Labor productivity (euro/employee)	95.564	98.707	103,29
4	Average monthly gross wage (lei)	1.448,64	1.725,86	119,14
5	Economy gross average salary	2.415	2.681	111,02
6	Minimum gross salary per economi(lei)	1.050	1.250	119,05

Gross wage costs recorded an increase over 2015 of 19.10% in terms of the average number of employees remained constant. The increase was caused by higher wages legislative requirements regarding the minimum gross salary per economy. Efficient use of human resources commensurate with a slight increase labor productivity in 2016 compared to 2015 by 3.29%

Compared to the average gross salary of 2.681 lei economy, the gross salary of 1.726 lei registered on company represents 64%.

b) Relations between the manager and the employees covered by collective bargaining agreements, is based on communication, involvement and team spirit, observing the rules and working procedures established by internal regulations, job description, without any elements of conflict.

1.1.6. Assessment on impact of activity of the issuer on the environment.

The main activity of the Company is carried out in compliance with legislation on environmental protection requirements, obtaining environmental permits required for each type of activity on each site.

The company identified all its activities with potential environmental impact and has covered environmental standards ISO 14001: 2005 by procedures.

In 2016 the Company has not faced legal disputes regarding the non-compliance of environmental regulations.

2. Financial accounting situation

In 2016, T.H.R. Marea Neagra S.A. had organized accounting under OMF 881/2012 and 2844/2016 to approve accounting regulations in accordance with International Financial Reporting Standards. By this order, it was stated that the companies whose securities are listed on the regulated market, which include the Black Sea and THR are required to prepare financial statements in accordance with the regulations mentioned above.



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In accordance with the regulations mentioned financial statements are audited annually by an audit firm ABA Audit LLC, under contract for services 918 / 04.21.2015.

The situation in the dynamics of the main active posts compared with 31.12.2016 similar items in the years 2014 and 2015 is as follows:

ASSETS	Value at 31.12.2014 (lei)	Value at 31.12.2015 (lei)	Value at 31.12.2016 (lei)	Value at 2016/2015 (%)	Weight 2016 total assets (%)
Intangible assets	1.872	579.393	486.094	83,9%	0,19%
Tangible	201.232.493	230.551.784	213.085.900	92,42%	82,05%
Real estate investments	3.351.613	3.337.958	16.350.751	489,84%	6,30%
Financial assets	2.000	2.000	2.434.010	121.700,5%	0,94%
Receivables (including deferred tax)	1.972.807	1.536.509	1.394.641	90,77%	0,54%
TOTAL ASSETS	206.560.786	236.007.642	233.751.395	99,04%	90,00%
Stocks	929.254	652.446	617.337	94,62%	0,24%
Receivables	4.437.101	12.949.097	6.080.021	46,95%	2,34%
Financial assets	1.336	1.336	0	0,00%	0,00%
Cash	11.381.547	1.888.056	7.337.535	388,63%	2,83%
Assets classified as held for sale	7.350.672	4.073.434	11.007.555	270,23%	4,24%
Expenses registered in advance	34.954	42.070	923.273	2.194,62%	0,36%
TOTAL ASSETS	24.134.863	19.606.437	25.965.721	132,43%	10,00%
TOTAL ASSETS	230.695.648	255.614.080	259.717.116	101,61%	100,00%

In the Company's assets have the largest share assets (90,00%), mainly land and buildings share being 10,00% of current assets.

On 31.12.2016, the assets was a decrease of 0,96% compared to 2015, following the change of destination of their classification as tangible property investment (Semriamis complex, complex Miorita) or as assets held for sale (Magura complex, complex Brandusa, Horia hotel, complex Venus, complex Tosca).

Analyzing the structure, tangible assets represent 82,05% of total assets. International Standards (IFRS) require the reclassification of the active depending on their use.

At current assets was an increase compared to the level achieved in the previous year, from 4.073.434 lei to 11.007.555 lei, increasing assets held for sale due to falling inventories.



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Company receivables consist primarily of trade receivables; receivables represented the state budget VAT recoverable, deferred income tax receivables.

In 2016 liabilities had the following evolution:

LIABILITIES	Value at 31.12.2014 (lei)	Value at 31.12.2015 (lei)	Value at 31.12.2016 (lei)	Variation 2016/2015 (%)	Weight 2016 total passive (%)
<i>Subscribed and paid capital</i>	57.894.995	57.894.995	57.894.994		22,29%
<i>Capital adjustment due application of IAS 29</i>	0	85.945.333	85.945.333		33,09%
Share premium of which:	1.895.814	1.895.855	1.895.855	100,00%	0,73%
<i>Premium and merger</i>	1.895.814	1.895.814	1.895.814		0,73%
<i>Share premium inflated due application of IAS 29</i>	0	41	41		0,00%
Reserves of which:	17.573.064	21.308.421	22.542.869	105,79%	8,68%
<i>Legal reserves</i>	4.238.921	4.523.314	4.800.431		1,85%
<i>Other reserves</i>	13.334.143	16.785.107	17.742.438		6,83%
<i>Therefore inflated reserves for the first time application of IAS 29</i>	0	16.745.901	16.745.901		
<i>Legal reserves inflated due application of IAS 29</i>	0	1.280.018	1.280.018		0,00%
<i>Other reserves inflated due application of IAS 29</i>	0	15.465.883	15.465.883		5,95%
Revaluation differences of which:	99.523.391	113.989.110	107.996.624	94,74%	41,58%
<i>Except earnings Retained earning the adoption of IAS 29 for the first time</i>	41.931.136	47.084.787	52.860.602	112.27%	20,35%
<i>From correction of accounting errors from previous years</i>	(9.813.664)	(7.114.719)	(10.650)		0,00%
<i>Surplus from revaluation reserves</i>	54.937.852	58.374.296	52.870.621		20,36%
<i>Originated form the transisiton to IFRS</i>	(3.193.052)	(3.193.052)	0		0,00%
<i>Retained earnings form adopting first IAS 29</i>	0	(102.691.275)	(102.691.275)		(39,54%)
Result for the year	5.794.927	4.368.054	4.455.307	102,00%	1,72%
Other elements of equitiy	(10.858.900)	(13.364.773)	(12.895.772)	96,49%	(4,97%)
Equity	213.754.426	233.176.408	234.750.438	100,68%	90,39%
Medium and long-term debt	10.994.247	14.243.171	16.847.728	118,29%	6,49%
Short term debts	5.946.976	8.194.503	8.118.949	99,08%	3,13%
TOTAL LIABILITIES	230.695.649	255.614.081	259.717.116	101,61%	100,00%

Within passive elements, the highest share have equity (about 90,39%), capital representing 22,29% of total liabilities.

Equity on 31.12.2016 consists of:



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- capital subscribed and paid in the amount of 57.894.994 lei, unchanged over the last three years;
- primes issue and merger in the amount of 1.895.814 lei, unchanged over the last three years;
- legal reserves and other reserves in the amount of 5% from gross income, but no more than 20% from the social capital, in amount of 4.800.431 lei, with an increase over last year with 6,13%
- other reserves representing distributions of profit for their own sources of funding in the amount of 17.742.438 lei with an increase over 2015 of 5,70%;
- differences from re-evaluation of the company's assets amounted to 107.996.624 lei from 2015 which fell 5.26% due to sell certain assets;
- earnings came mainly from the revaluation reserve surplus in the amount of 52.860.602 lei, of which 6.654.108 lei taxed;
- Net result for the year amounted to 4.455.307 lei has increased from that of 2015 by 2,00%.

We mention that revaluation since 01.01.2004 is recognized in terms of tax revenues as similar items as depreciation of tangible assets and their output. For these temporary differences between the carrying amount and the tax, IAS 12 requires the calculation of deferred income tax, which reduces the value of equity (included in the table above under the heading other capital related items) and add to the debt.

Long-term liabilities arise mainly from tax asset amounting to 12.960.731 lei and credits for investments in the amount of 2.400.000 lei.

Deferred income tax is not due and will be recognized as a liability payable, as depreciation or output of heritage assets.

Payable consist of trade payables in the amount of 1.277.643 lei, including wage related taxes and contributions in the amount of 486.623 lei tax liabilities in the amount of 1.040.142 lei and otherwise, with due dates after 01.01.2017, the company does not have outstanding debts.

The result of the financial year

Revenues and expenditures made on the two major categories of activities, in relation to BVC 2016 and the achievements of 2015, are presented as follows:

Indicators	Accomplished 2014	Accomplished 2015	Accomplished 2016	BVC 2016	Index 2016/ 2015	Index 2016/ BVC 2016
Total operating revenue	47.145.263	42.521.288	47.788.719	49.358.947	112,39%	96,82%
Activity Accommodation	17.231.591	20.878.291	20.160.054	18.604.517	96,56%	108,36%
Restaurant business	8.731.786	9.659.528	10.617.463	14.000.000	109,92%	75,84%



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The activity of rental	367.410	526.661	1.339.102	1.477.272	254,26%	90,65%
Other revenues included in sales business (spas, parking, pool entry, etc.)	3.229.158	3.119.304	2.825.792	3.254.000	90,59%	86,84%
The sales activity active	15.665.455	7.260.763	10.919.946	10.508.158	150,40%	103,92%
Other income (production assets, adjustments, fines, penalties, etc.)	1.772.388	1.076.741	1.926.362	1.515.000	178,91%	127,15%
Changes in inventories	147.476	0	0	0	-	-
Total operating expenses	39.223.581	36.890.701	42.291.921	42.843.517	114,64%	98,71%
Expenses Stocks	6.810.411	6.640.216	6.843.669	7.349.750	103,06%	93,11%
Expenditure on utilities	2.171.376	2.519.713	2.550.082	2.299.000	101,21%	110,92%
Employee benefits expense	6.867.354	8.838.433	10.259.533	10.945.104	116,08%	93,74%
Deprecioation and amortization and impairment of assets	6.017.854	6.343.921	6.857.190	6.290.670	108,09%	109,01%
Expenditure on property, transferred and assets held for sale	7.905.542	3.381.254	5.895.660	6.098.789	174,36%	96,67%
Other taxes and fees	2.729.099	2.214.712	3.331.056	3.294.004	150,41%	101,12%
Expenditure on external supply	5.787.752	6.223.432	6.391.764	4.437.800	102,70%	144,03%
Other expenses	934.194	729.019	162.965	2.128.400	22,35%	7,66%
Operating result	7.921.682	5.630.587	5.496.799	6.515.430	97,62%	84,37%
Financial income	314.746	272.003	627.569	905.696	230,72%	69,29%
Financial Charges	575.732	149.304	582.023	250.000	389,83%	232,81%
Financial Result	-260.986	122.700	45.545	655.696	37,12%	6,95%
Total income	47.460.009	42.793.291	48.416.288	50.264.643	113,14%	96,32%
Total expenses	39.799.313	37.040.004	42.873.944	43.093.517	115,75%	99,49%
Gross profit	7.660.696	5.753.287	5.542.345	7.171.126	96,33%	77,29%
Expenditure with current income tax	1.886.183	1.250.391	1.116.307		89,28%	-
Expenditure with tax postponed	0	134.842	0		0,00%	-
Income tax deferred income	20.413	0	29.269		-	-
The net result	5.794.927	4.368.054	4.455.307	7.171.126	102,00%	62,13%



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Indicators	Accomplished 2014	Accomplished 2015	Accomplished 2016	BVC 2016	Index 2016/ 2015	Index 2016/ BVC 2016
The operational activity						
Activity of						
Income	31.479.808	35.260.525	36.868.773	38.850.789	104,56%	94,90%
Costs	31.318.038	33.509.446	36.196.673	36.744.728	108,02%	98,51%
Gross profit from activity base	161.770	1.751.078	672.100	2.106.061	38,38%	31,91%
Financial activity						
Income	314.746	272.003	627.569	905.696	230,72%	69,29%
Costs	575.732	149.304	582.023	250.000	389,83%	232,81%
Gross profit financial	-260.986	122.700	45.545	655.696	37,12%	6,95%
Total revenues from activity financial and operational	31.794.554	35.532.528	37.496.342	39.756.485	105,53%	94,32%
Total expenses of the activity operational and financial	31.893.771	33.658.750	36.778.697	36.994.728	109,27%	99,42%
Gross activity financial and operational	-99.216	1.873.778	717.645	2.761.757	38,30%	25,99%
The sales activity active						
Income	15.665.455	7.260.763	10.919.946	10.508.158	150,40%	103,92%
Costs	7.905.542	3.381.254	6.095.247	6.098.789	180,27%	99,94%
Gross profit from the sale of assets	7.759.913	3.879.509	4.824.699	4.409.369	124,36%	109,42%
Total income	47.460.009	42.793.291	48.416.288	50.264.643	113,14%	96,32%
Total expenses	39.799.313	37.040.004	42.873.944	43.093.517	115,75%	99,49%
TOTAL GORSS PROFIT	7.660.696	5.753.287	5.542.344	7.171.126	96,33%	77,29%
Tax	1.865.770	1.385.233	1.087.037	0	78,47%	-
The net result	5.794.927	4.368.054	4.455.307	7.171.126	102,00%	62,13%

The total revenues recorded in 2016, amounting to 48.416.288 lei, representing 96,32% compared to the budgeted level of 50.264.643 lei and 113,14% compared to the volume registered in preceding 2015.



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Total expenses recorded in the financial year 2016 amounting to 42.873.944 lei is 99,50% compared to the period stipulated in the BVC and 115,75% compared to 2015.

The activities in relation to share revenues, total revenues can be identified two categories, namely: core activity of the company (strictly operational), generating income in percentage 76,15% of total assets and sales activity, according to the approved strategy The Annual General Meeting of the company's restructuring, the revenue share of 22,55 % of the total.

The total profit realized in the amount of 5.542.344 lei shows. the activities. the following structure:

- basis activity (operational). MDL 672.100; 12,13%;
- assets sales activity. 4.824.699 lei; 87,05%;
- financial activity. 45 545 lei; 0,82%;

The basic activity generated a gross profit of 672.100 lei, financial activity, the 45.545 lei and work to asset sales, gross profit of 4.824.699 RON, resulting in a profit total for the work done in 2016 to 5.542.344 lei.

In relation to the provisions BVC financial year 2016, the gross profit total achieved is 77,29% and the corresponding strict operational activity (672.100Lei) is about 32%.

Active sales activity led to a profit representing an excess of about 10% (109,42%), the level of gross provided in BVC.

Failure to achieve a significant amount of activity related gross operating profit, provided in BVC, by about 68%, it was determined by the influence of the following factors:

- Failure income food related activity contracted agencies of tourism. In this respect, mention that services with meals, so contracted were realized at a rate of only 37%;
- Amortization of costs increased amount of assets, to BVC with about 8% on account of acquisition of fixed assets (equipment) and to 2015 by about 7% caused by an increase in the assets, as a result of the upgrading works carried out;
- Increase spending on local taxes, to BVC 2016 compared with 1,12% and 2015, 50,4%. This increase was due to an increase in taxable value of assets, the revaluation effect according to Standard GEV 500;
- Significant increase by about 44% compared to the budgeted expenses external supply. Significant influence in their amount represented an amount calculated and paid by the company, by way of royalties assimilated to salaries, staff seasonal drew in Moldova.

Also, the costs of benefits to third parties were encumbered in their upwards and demolition amounts of active ingredients, in order to perform some works of investment.

Active sales activity generated a profit representing 109,42% of the provided in BVC, as mentioned above and is to use the sale of following activities:

- Real estate Alpha and Beta and related land -Saturn;
- Village Holiday Danube, land 460 sq m- Saturn;
- Complex Brandusa -Venus;
- Complex Neptune - Eforie Nord;
- Corresponding terrain Solero- Eforie Nord Brasserie;
- Property outlet water and the land Belona - Eforie Nord;
- green house - Eforie Nord;
- Laundry 7 tons - Eforie Nord;
- CTC Laboratory - Eforie Nord.



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The company management took steps in 2016 to follow strict spending and resize them. Mainly, they were:

- managing arrivals by certain hotels and restaurants to ensure a high employment allowing their operation in terms of efficiency and for other assurance certain minimum conditions of operation;
- reducing consumption of utilities and their optimization by standardizing consumer crisis;
- direct supply units aimed at reducing transport costs, storage and distribution.
- rhythmical supply based on "need" well-founded, insurance stocks minimum;
- staff allocation proportional to the evolution of income;
- the return of goods from suppliers to the closure of units;
- restriction on overheads and administration;
- very careful tracking of correlating cash flow proceeds to payments, reduction the balance of the loans and the related interest;
- follow strictly maturities budgets of state and local partners, to avoid delays which could lead to the payment of any penalties and / or fines;
- receiving a credit maturity, their respect towards the recovery procedure.

Concluding at the end of 2016. T.H.R. Marea Neagra S.A. recorded a gross profit of 5.542.344 lei. and net income. determined after deducting tax profit calculated according to the legal regulations in the amount of 4.455.307 lei

3. Financing of the activity of the company

During 2016, the parent company has funded work using own sources and by employing two lines of credit totaling 10.000.000 lei, which were used at the end of 2.500.000 lei.

The Company also contracted two lines of credit for financing investment, as follows:

- 1.950.000 lei. short-term credit;
- 3.200.000 lei. long-term loan (five years).

In 2017, to the date of this report, the company proceeded to full reimbursement, early, short-term loan amounting to 1.950.000 lei.

Regarding obligations to pay company not registered on 31.12.2016, overdue obligations in relation to the state budget, banks and other authorities.

4. The tangible assets of the company

4.1. The main accommodation and catering capacities of the Company, located in the tourist circuit in 2016 are:

Accommodations:

- 2 hotels of 4 * with a total capacity 992 Accommodation



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- 8 hotels of 3 * hotels with a total capacity 3.462 Accommodation
- 12 hotels of 2 *, with a total capacity of 3.040 Accommodation

Catering units:

- 3 restaurants 4*, with a total capacity of 1.440 seats –
- 7 restaurants 3* with a total capacity of 3.267 seats
- 6 restaurants 2*, with a total capacity of 4.174 seats
- 2 day bars 4* with a capacity of 120 places
- 9 day bars 3* with a total capacity of 554 seats
- 2 cocktail bar 2* with a total capacity of 130 seats
- 1 bar of 2* with a capacity of 170 places
- 2 buffets 1* with a capacity of 150 places

Entertainment units:

- 3 aqua park sites with a total capacity of 850 seats.

Spa treatment units:

- four treatment centers: Complex Bran-Brad-Bega Hora, Balada and Sirena with a total capacity of 5.350 procedures per day.

In total, the company had 2016 tourist circuit 7.494 beds and 10.005 places catering, distribution of the state is presented below:

Cat. Assessment	Eforie Nord		Eforie Sud		Venus		Saturn		Grand total	
	Units	Head	Units	Head	Units	Head	Units	Head	Units	Head
****	1	438	0	0	0	0	1	554	2	992
***	0	0	0	0	2	516	6	2.946	8	3.462
**	3	540	3	672	1	168	5	1.660	12	3.040
Total accommodation	4	978	3	672	3	684	12	5.160	22	7.494



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Cat. Assessment	Eforie Nord		Eforie Sud		Venus		Saturn		Grand total	
	Units	Head	Units	Head	Units	Head	Units	Head	Units	Head
restaurants										
****	2	600	0	0	0	0	1	840	3	1.440
***	0	0	0	0	1	182	6	3.085	7	3.267
**	1	900	1	228	2	1.086	2	1.960	6	4.174
Total	3	1.500	1	228	3	1.268	9	5.885	16	8.881

Cat. Assessment	Eforie Nord		Eforie Sud		Venus		Saturn		Grand total	
	Units	Head	Units	Head	Units	Head	Units	Head	Units	Head
Bars										
****	1	80	0	0	0	0	1	40	2	120
***	0	0	0	0	1	54	8	500	9	554
**	1	120	0	0	1	10	0	0	2	130
Total bars day	2	200	0	0	2	64	9	540	13	804
Buffets										
**	0	0	0	0	0	0	1	170	1	170
*	0	0	1	60	0	0	1	90	2	150
Total buffets	0	0	1	60	0	0	2	260	3	320
Total earnings publish	5	1.700	2	288	5	1.332	20	6.685	32	10.005

4.2 Description and analysis of wear properties of company



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The assets held by the company are older than 45 years, generally being built during 1968-1972. Assets under own tourist circuit classification certificates and permits for operation, fulfills the legal requirements for comfort category respectively.

Some assets have been modernized in the last 10 years, the high level of comfort in one or two stars to three and four stars. The works performed were far-reaching, including consolidation, such as they recorded a lower wear than their age.

A particular activity is the existence of the heritage of productive units and auxiliary inoperable and others with partial operation, which hampers the core business and the economic result, given the necessary investment and shortage of funds, the market low real estate market and consequently reduced possibility capitalization asset sale approved by the company's strategy.

These assets generate costs both fixed and variable costs necessary conservation, nature fixed costs of taxes, as amended by Law no.227/2015 regarding the Fiscal Code with application since 01.01.2016.

To optimize these costs has been provided partial operation of assets where possible, to reduce the volume of losses.

5. Evaluation of investment and development

The company is in a constant search for solutions to reduce costs, but also to attract new customers. The company implemented alternatives to produce electricity or heat for domestic hot water with solar energy, the solution is expanding. Also, considering the fact that the local administration has completed investment gas supply resorts, the company is considering connecting boilers and food blocks to the gas network, with a positive impact on the environment and efficient use of financial resources.

The company also completed the implementation of integrated information system for all units of accommodation and catering it holds the information systems of the main partners (National Pensions public agencies, tour operators), so you can get real time information on realization of tourist packages and their reallocation depending on requests and reconfiguration of pricing and sales policy.

In 2016, the Company made significant investments amounting to **19.750.386 lei** (including VAT), of which the most important are listed below:

Nr. crt.	Investment objectives	Made in 31.12.2016
1	Narcis Complex - Phase II - works interior installations (228 rooms) and works Exterior - facades balconies, waterproofing, furniture, landscaping lounge restaurant Breakfast	6.673.195
2	Lidia complex - construction works, furniture, hotel TV system, system Air conditioning rooms	1.343.706



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3	Hotel Hora - works railings balconies, rooms electrical works	1.275.749
4	Hotel Balada - works railings balconies, rooms electrical works	1.256.717
5	Hotel Aida - Finishing partial facades, construction and electrical works rooms and hallways, rooms furniture	849.894
6	Hotel Cerna - construction works interior bathrooms, cladding tiles 52 bathrooms, Plumbing	811.019
7	Hotel Miorita - works on facades, balconies construction	662.000
8	Complex Brandusa - interior painting works ctii 40 bathrooms, exterior painting 40 balconies, room furniture	469.359
9	Restaurant Cerna - Enlargement works landscaping patio furniture	444.990
10	Ballad and Cleopatra pools - tiled cladding works, painting, pumps	326.160
11	Hotel Tosca - construction and installation works	125.536
12	Restaurant Aida - works plumbing and Electrovibratormassage	143.230
13	Buffet Narcissus - construction works landscaping terrace, electrical	128.614
14	Hotel Cleopatra - Works bathrooms, exterior painting	113.281
15	Capitol Complex - works painting and exterior painting	101.755
16	Lawns disabled (bathrooms, rooms, ramps)	142.299
17	THR kitchen equipment units	138.537
18	Invested ii IT (licenses, equipment, software) of the additional license Opera for H Cleopatra BBB Complex, Hotel Aida	243.084
19	Switchboards, enclosures, electric meters to a total of 11 units	44.465
20	Other exterior construction works, waterproofing, electrical equipment and devices nature of investments	1.165.065
	Total investments without VAT	16.458.655
	VAT	3.291.731
	Total investment	19.750.386



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To finance these investments were used own sources of funding:

Explanations	Value (RON)
Cash flow generated by selling assets with full payment"installment (VAT) after payment Income tax	19.261.366
Development fund	957.331
Attracted sources - bank credit	5.150.000
Amortization	6.925.648
Own sources of financing	32.294.345

The share contribution in providing financing for investments was represented by own resources, results from their workouts.

6. Specify potential problems related to ownership of the tangible assets of the company.

The main disputes/litigations of ownership of the company's tangible assets is related to:

- Land area of 197 sqm for the police headquarters in Eforie Nord (Office Technical), against Fortunesco A.
- Agency PTTR Ag. Travel Saturn, against the Romanian Post.

7. Market securities issued by the company

7.1. Specifying markets in Romania and other countries that the securities issued by the company.

It is a publicly owned company, according to the terminology provided by Law 297/2004 on the capital market, being registered with the Nat law Securities - Securities Office records.

THR Marea Neagra SA shares are listed on the second tier of the Bucharest Stock Exchange since August 15, 2002, with the symbol "EFO". On the last trading day of 2016, ie 30.12.2016, the closing of the Stock Exchange THR Marea Neagra SA SA shares were listed on the value of 0,0826 lei/share, compared to 0,0848 lei/share 31.12.2015.

7.2. Description of company policy regarding dividends. Specification of dividends due/paid/accumulated over the past three years and, if applicable, the reasons for any shrinking dividends during the last three years.



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In 2013 shareholders of the company determined that the profits earned to be used for distribution established by law and the remaining net profit to remain available to the company to finance investments.

In 2014, the General Meeting of Shareholders decided to distribute dividends amounting to 2.026.325,00 lei, the remaining profit is allocated to legal reserves and distributions to fund the company's development.

For the 2015 Annual General Meeting decided to distribute profit for legal reserves, to their sources of financing and dividend is worth 3.137.436 lei.

7.3. Description of any activities of the company to acquire own shares.

The company did not purchase own shares in 2016.

7.4. If the company has subsidiaries, including number and nominal value of the shares issued by the parent company held by subsidiaries.

The company holds interests in the share capital of other entities, as follows:

-100,00% of the share capital of SC Balneterapia SRL

- 32,059% of the capital shock in part of SCTransilvania Hotels & Travel.

7.5. If the company has issued bonds and/or other debt instruments, showing how the company pays its obligations to the holders of such securities.

The Company has not issued bonds during 2016.

8. The management of the company

8.1. Presentation of the company directors and the following information for each director:

THR Marea Neagra SA Company is managed by a Board of Directors consisting of five members, namely

Mielu Dobrin	-president
Prescure Titus	-member
Nicolae Butoi	-member
Dorinel Cazacu	-member
Dragos Calin	-member

The General Assembly of Shareholders of SC THR Marea Neagra SA has met on 21.04.2016 approved the appointment of Mr. Dragos Calin as a member of the Board of Directors of the Company for



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a period equal to difference of mandate that remains to be executed by the administrators in operation ie until the date of 19.03.2019.

All Board members were elected at the shareholder proposal SIF Transilvania.

The Board of Directors met regularly in meetings, according to Law 31/1990 and in accordance with the Articles of Association/Memorandum of company.

The Board of Directors monitored the operational and financial performance of executive management through indicators and performance criteria set in the budget of revenues and expenses and other approved programs. All efforts of the Board and executive management were aimed at fulfilling the company's mission to provide quality services, with trained personnel. Also, the priority objective is to develop material and technical basis, rehabilitation and modernization of the existing through a coherent and consistent investment in terms of effective environmental protection.

Board of Directors to pursue work program proposed for 2016, implementation of the budget of income and expenses and monthly and quarterly investment program and approved repairs.

The effort forward and organization of the Board resulted in programs of future development of the company, marketing programs, programs computerization programs of promotion and recruitment and increasing the quality of tourism products, systems procedures for the main activities of the company and reconsideration of its organizational structure.

At the end of the reporting period, the company's executive management is provided by Mrs. Narcisa Georgiana Mosoiu – General Manager.

b) any agreement, understanding or family connection between that administrator and another person because that person was appointed as administrator;

n/a

c) participation in the company's capital of the administrator;

Mr. Mielu Dobrin, Chairman of the Board, owns 406.759 issued by the Company.

d) list of persons affiliated to the company.

Affiliates of THR Marea Neagra SA Company SA are:

- SIF Transilvania SA, which owns 77,71% of shares issued by THR Marea Neagra SA;
- Balneotherapy Saturn Ltd, a company in which SCTHR Marea Neagra SA holds 100% of shares issued;



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- Transylvania Hotels & Travel S.A., A company in which THR Marea Neagra SA holds 32,059% of the share capital.

8.2. Presenting to senior executives of the company.

Company's executive management was provided to date by Mr. Stan Virgil 30/09/2016 - General under the mandate contract concluded under Law 31/1990.

Board of Administration, met on 27.09.2016, decided to appoint Mrs. Narcisa Mosoiu as General Manager for the period 01.10.2016-30.09.2017.

a) the term for which the person is part of the executive;

The General Manager concluded with a contract according to Law 31/1990, the contract that expires on 30/09/2017.

b) any agreement, understanding or family connection between the person and another person because that person has been appointed as member of executive management;

It's not necessary

c) That person's participation in the company's capital.

Within the executive, Mrs. Mosoiu Georgiana Narcisa has a total of 1.500 shares.

8.3. For all persons presented in 8.1. and 8.2. the specify of any litigation or administrative proceedings involving the past five years, on their activity within the issuer, as well as those concerning the person's ability to perform their duties within the issuer.

n/a

9. Assessments of risk management company

9.1. Company Management provided and ensure prudent management of liquidity risk, aiming always ensure enough cash so as to cope with time payments on due date.

Specific work done, result in exposure to a variety of risks of the company as well as specific risks and financial market on which it operates. Risk is defined as the possibility of unfavorable results recorded deviations from expected levels due to random fluctuations. Significant risks represent risks with significant impact on the economic situation and/or reputational society.

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



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In their activity, the Company may experience 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 faces risks controllable for adopting policies and procedures of active management (analysis, monitoring and control). These risks are associated with internal invoices and nature of activity, complexity of the organizational structure, quality of staff, etc.

The main risks to which the Company is exposed are:

- currency risk
 - o interest rate risk
 - o credit risk
 - o liquidity risk
 - o operational risk

Currency risk

The company is easily exposed to fluctuations in currency exchange rates, mainly if current accounts in foreign currency assets and liabilities in other currencies and assets and liabilities in lei, but contracts are strengthened in relation to other currencies, usually in EURO and/or USD. Share transactions or strengthened in other currencies is low, so that risk does not have much impact

Interest rate risk

The company's operating cash flows are affected by changes in interest rates, mainly if credit lines contracted depending on ROBOR rate. In recent years the reference rate ROBOR had a relatively constant trend, which makes this risk is reduced.

Credit risk

Credit risk is the risk of recording losses or estimated profits, as a result of non-fulfillment of financial obligations. THR Marea Neagra SA has sold assets in installments, which calculates and collects interest. The rest of the price for the contracts and interest are secured by mortgages on assets in favor THR, so the risk of not cashing is reduced.

Liquidity risk

Liquidity is the Company's ability to secure the necessary funds to meet all its obligations to pay direct and indirect, at a reasonable price at any time. Liquidity risk is the risk that current or potential that could be subject to profits and shares, following its inability to meet its payment obligations when due.

The company watched constantly to ensure a balance between its sources of funding and its short-term needs, such as had always cash to fulfill financial obligations. Company prepares monthly cash flow forecasts for periods ranging from six months to a year, so it can detect in time any potential lack of liquidity and may take steps accordingly.

Operational risk



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Operational risk is the risk of recording losses or estimated profits due to internal factors such as scrolling inadequate of internal activities, existing staff or systems inadequate or because of external factors such as economic conditions, changes capital markets, technological progress. Operational risk is inherent in all activities of the Company.

The policies adopted by the company to prevent and manage operational risk, which can have a direct impact negatively on operating activity (base), taking into account every type of event that can generate such risks.

9.2. Elements of perspective on the company's activity

One product with high growth potential in the future is spa tourism. The company's units are located in resorts with natural cure factors. The company identified opportunity and obtained licenses to exploit these natural resources, extending the capacity of the treatment facilities, so we can meet demand for such services.

This segment health and wellness will ensure mitigation of tourist activities and will help us attract tourists and foreign, especially European area. European Directive no. 24/2011 sets forth the rights of patients in cross-border healthcare, providing the legal framework to be guaranteed rights of European citizens to health services in all EU countries. One of the main concerns of the company is to attract this segment of tourists.

Another direction of development is leisure tourism, which is a priority for the company, with stage design environment environmental redevelopment, including the development of leisure facilities. A major concern of the company is to expand distribution channels. The company is in constant search of new customers and strengthens relationships with current customers market.

10. The corporate governance

The Board of Directors met monthly meetings, according to Law 31/1990 re published and whenever needed, its duties as provided in the Articles of Association.

The Board of Directors monitored the operational and financial performance of executive management through indicators and performance criteria set in the budget of revenues and expenses and other approved programs.

During 2016 work was focused on managers carrying out of the activity of the company in accordance with the decisions of AGA, the law and the Articles of Association.

One of the constant concerns of managers has been increasing sales by developing sales department, identifying new customers and retaining traditional customers. It was also envisaged improving policies for promoting tourism products, by launching special offers and deals tailored for specific categories of tourists.



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Also, the Board was concerned about asset sales, approving minimum prices and conditions of sale of these assets. The company actively seeking potential clients, public auctions organized and conducted adequate advertising of such transactions.

Disputes within the company are systematically monitored so that each meeting of the Board was on the agenda at least one point on the main disputes society. The Board of Directors reviewed options that the company has in these cases and, where applicable, hired law firms specializing in such disputes.

Within the company organized two committees with the following components:

- Audit Committee: Butoi Nicolae and Prescure Titus
- Committee of remuneration: Mielu Dobrin and Cazacu Dorinel.

The company is managed in the single system, the company's executive management is provided by Mrs. Narcisa Georgiana Mosoiu, as CEO. General Manager duties are clearly defined mandate as stipulated in the contract signed with the company.

In the company there is implemented a system of internal control for the main activities being established work procedures. Internal control to ensure at all levels in the company being set up an office of internal financial control and management.

The internal audit activity was outsourced, and in this respect was signed a contract with SC MAN-CO SRL Bucharest. Internal Audit is directly subordinated to the Board of Directors.

The company joined a Code of Corporate Governance which approved new BSE Corporate Governance Code which came into force starting with 4 January 2016.

Financial and accounting reports of the Company are submitted to the tax authorities and bodies of the market in terms of the law.

Company registered on 31.12.2016 a share capital worth 57.894.993,9 lei subscribed and paid share capital, representing a total of 578.949.939 shares nominative, ordinary, dematerialized and indivisible with a nominal value of 0,1 lei / share. Thus, the company fulfills the provisions of Article 10 of Law 31/1990 on trade on the minimum level of capital for joint stock companies. All shares can be traded on BSE for free, without limitations on holding securities need to obtain the approval of the issuer or other holders securities.

During 2016 the share capital did not change in ownership structure 31.12.2016 communicated by the Central Depository, the following:

Shareholders	%	Number of shares	Value of capital (lei)
SIF Transilvania S.A.	77,71%	449.920.140	44.992.014,00
A.V.A.S.	0,09%	516.915	51.691,50
Alti actionari persoane juridice	12,84%	74.306.772	7.430.677,20
Other shareholders individuals	9,36%	54.206.112	5.420.611,20



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Shareholders	%	Number of shares	Value of capital (lei)
TOTAL	100,00%	578 .949. 939	57 .894 .993,90

The Company has no employee share grant schemes and there are no restrictions on voting rights. Also it is not aware of agreements between shareholders which may have restrictions on the transfer of securities and / or voting rights

The appointment or replacement of Board members and amending articles of incorporation are under the law, without society have special rules in this regard. To date proposals for members of the Board of Directors were made by the majority shareholder; the appointment is decided by the General Meeting of Shareholders. Chairman of the Board is elected by the members of the Board of Directors.

Board members have responsibilities on the issue or buy back shares. The management agreement stipulates that if the company or its directors interrupt the execution of the warrant, without just cause, the revocation or cancellation, will respond to the other party of any damages.

General shareholders' meetings are as follows:

- check the attendance list of shareholders, capital that each one it represents and finding fulfillment of legal requirements and the Articles of Association to the general meeting;
- presents items on the agenda of the convening notice and put to the vote;
- GMS decisions are taken by open vote, except for the appointment of managers and financial auditor is mandatory secret ballot;
- check voting results and recorded in the minutes of the meeting.

According to the provisions of As per Law 31/1990 and the Articles of Association, AGOA has following responsibilities:

- a) to discuss, approve or modify the annual financial statements, based on reports of the Board of Directors and the auditor and determine the dividends;
- b) to elect and dismiss the members of the Board, to appoint or dismiss the financial auditor and to set the minimum term of the audit contract;
- c) to agree with the remuneration for the current members of the Board;
- d) to decide on the management of the Board of Directors;
- e) to establish the income and expenses and, if necessary, the work schedule, the next financial year;
- f) to decide the pledge, lease or close one or more units of the company.

The Shareholders have non-property rights (the right to participate in general meetings of shareholders, voting rights, right to information) and economic rights (right to dividends and the right to dispose of the shares).



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11. Conclusions and proposal for profit distribution of the company

In 2016 the company has been operating in accordance with the Articles of Association, the decisions of AGA, the BVC, in compliance with legislation on the organization and Recognition of specific activity and capital market regulations.

Given the above, the Board proposes to the distribution of net profit of the black **S.C. T.H.R. Marea Neagra S.A.** in value of 4.455.307 lei, as follows:

-The legal reserve	=	277.117 lei
-Dividends	=	3.936.860 lei
-Own financing sources	=	241.330 lei

Chairman of the Board
Engineer Mielu Dobrin



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Report of Board of Directors of SC THR Marea Neagra SA for the consolidated financial statements prepared for 2016

Annual Report as per: Accounting Law 82/1991, OMPF 2844/2016 on approval of accounting regulations in accordance with International Financial Reporting Standards applicable to companies whose securities are admitted to trading on a regulated market, Law 297/2004 on the capital market and ASF Regulation no. 1/2006 regarding the issuers and operations with securities.

For financial year : **2016**

Companies in the scope of consolidation

Name of the company: **Tourism, Hotels, Restaurants “Black Sea” SA**

Headquarters: **str. Lavrion No. 29, Mangalia, Constanta County**

Tel/fax: +40241-752-452/0241-755-559

Single registration code with the Trade Register Office: **2980547**

Number in the Trade Register: **J13/696/1991**

Regulated market trading issued securities: **Bucharest Stock Exchange**

The share capital subscribed and paid: **57.894.993,9 lei**

Main characteristics of the securities issued by the company: registered shares, ordinary, dematerialized and indivisible with a nominal value of 0,1 lei/share

Name of the company: **Balneotherapy Saturn SRL - subsidiary**

Registered office: **Constanta highway, no.76, Mangalia, Constanta county**

Tel/fax: 0241-752.452

Registration code Trade Register Office: **14271182**

Order number in the Trade Register: **J13/1910/2001**

Company's shares are not traded on a regulated market, the holding out shareholders by directors with shareholders' register.

1. Company's activity analysis

1.1.

a) Description of activity of the commercial company



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Our main activity is the classification according to NACE 5510 - "Hotels" - namely the provision of accommodation, catering, spas and tourism facilities. The activity takes place in our places of business, registered and classified in accordance with regulations in force, providing all operating permits required by law.

According to NACE classification, company's main activity of Balneotherapy Saturn SRL is "Activities of specialist medical practice"- NACE code 8622.

b) Date of incorporation of the company

Commercial company was established on 05.03.1991, under the name SC Eforie SA.

The company has changed its name from Eforie SA into THR Marea Neagra SA in 2005, as per Decision of the delegated judge in Constanta Trade Registry with number 10 687/24.01.2005, and during 2011, the company moved its headquarters in Mangalia Str. Lavrion no. 29, jud. Constanta.

Balneotherapy Saturn LLC is a legal entity registered with the Trade Register under number J13/1910/2001, unique registration code 14271182.

c) Description of significant merger and reorganization

In 2016, there were no mergers or reorganizations.

d) description of acquisition and/or disposal of the assets

The company was established by transforming state economic units in companies, with up capital by contribution in kind of assets represented by units in territorial disputes hotel resorts on the coast, into use during 1968-1972 and hotel units nationalized .

Given the age of the assets as the large volume of investments necessary to maintain their tourist circuit, the company is carrying out in accordance with the shareholders' decision a restructuring strategy and development.

In 2015, under the restructuring strategy, the company continued selling assets, and modernization of assets approved for maintaining heritage.

Revenues from the sale of assets were used as intended budget or finance the investment program, with the other owned and attracted financial sources.

1.1.1. Elements of the overall assessment:

a) Gross profit: 5.552.654 lei

b) Total revenues: 49.485.861 lei (of which adjustment operations and cancellation provisions and adjustments for impairment 1.084.785 lei and deferred income tax revenue of 29.269 lei);

turnover: 35.386.102 lei

c) Export: not applicable

d) Total cost: 43.933.207 lei

e) % Of the market held: 12,80% of the local tourism market



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f) available in account: 7.777.716 lei

The group operates through its production facilities located in the tourist resorts of national interest Eforie Nord, Eforie Sud, Neptun, Venus and Saturn are among the leading companies of its kind in the country.

The company also has in its hotel units located in markets with well established positions in national, some have a growing market in Europe.

The activity is highly seasonal, being tied to the seasonal activity area or Romanian coast of the Black Sea.

To mitigate seasonality, the company has targeted investment program to develop their own capacity to provide medical treatment facilities using natural treatment factors specific date having 4 bases of its treatment in the hotel complexes "Hora", "Balada", "Sirena"- Saturn and Hotel Complex "Bran-Brad-Bega" Eforie Nord, the latter being commissioned in 2012.

Operational activity produces income that lead to a positive economic and financial results, able to ensure coverage of all operating costs, but also business growth through the development of own sources of financing programs of investments.

Concentration of revenues in a limited period of the year (June to August) involves temporary financing activities from other sources or bank loans, to be reimbursed as achieving revenue collection for the financial year in progress.

1.1.2. Assessment of technical level of the Company

Description of the main products and/or services provided specifying:

b) main markets for each service and distribution methods

In 2016, THR Marea Neagra SA has exploited in a number of direct management a number of

7.494 beds and 10 005 places of catering, located in touring resorts on the Romanian coast of the Black Sea in units classified in category 4 * 3 * 2 *.

Its main products are packages of accommodation, catering, spas, recreation (spa, swimming pools, and cold baths mud).

An important distribution channel is the online selling through specialized sites, but also through its website sales channels fastest growing in recent years with high growth potential market.

Direct sales to receipts hotels especially on weekends, have significant share in sales, the company is organized to receive and resolve requests to hedge their optimal capabilities for services.

The tourism product of the main accommodation capacities are distributed and foreign markets under contracts with foreign partners - the European market, the main foreign partner is



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Thomas Cook - second worldwide tour operator that distributes product in tourism in Germany, Netherlands, Poland. In the Romanian market this partner of SC THR Marea Neagra SA holds more than half of the market share, with an upward trend in the future.

b) share of the main categories of services in total revenues:

Indicators	Actual (lei)			Share of total revenue (%)			Share of total turnover business(%)		
	2014	2015	2016	2014	2015	2016	2014	2015	2016
Total revenue	47.539.733	42.791.490	48.371.806	100,00	100,00	100,00			
Turnover, including	29.700.221	34.231.396	35.386.102	62,47	80,00	73,15	100,00	100,00	100,00
- Accomodation	17.585.735	20.878.291	20.160.054	36,99	48,79	41,68	59,21	60,99	56,97
- Food and drink	8.731.786	9.659.528	10.617.463	18,37	22,57	21,95	29,40	28,22	30,00
- Rents	272.410	356.661	1.169.102	0,57	0,83	2,42	0,92	1,04	3,30
Other income included in Fiscal value	3.110.291	3.336.916	3.439.483	6,54	7,80	7,11	10,47	9,75	9,72

Total revenue, excluding revenue adjustments and deferred income tax recorded by the Group in financial year 2016 amounted to 48.371.806 lei increased by 13,04% compared to 2015 (48.371.806 lei 2016/ 42.791.490 lei 2015).

Within total revenue, turnover totals 35.386.102 lei, positive trend compared to the previous year, to 3,37% (35.386.102 lei 2016/34.231.396 lei in 2015).

Revenues composing turnover in 2016 were made from conducting activities as it follows:

- Accommodation;
- Food and drink;
- Rent;
- Other income- parking, swimming pool, medical services, etc.

Percentage in the turnover structure is the income from activity of accommodation is 57,70%. Compared with 2015, they registered a slight decrease, by 3,5%, due rental of two fully active and unfulfilled contract with the National House of Pensions.

Revenues from catering constituted in 2016, 30,39% of turnover, an increase from 2015 by around 10% (10.617.463 lei / 9.659.528 lei).

Rental activity represented a small percentage of the turnover, namely the 3,83%. Revenue from this activity in the amount of 1.339.102 lei, was superior to those recorded in 2015, the growth is significant, 254%. The situation was determined, in this respect, mainly by rental in 2016, of assets: Complex Miorita, Complex and Semiramis.



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Group "Other income" reflected in the turnover achieved through the deployment of secondary activities (treatment, parking, pool) amounted to 2.825.792 lei and represents compared with 2015, a decrease of 9,5%.

c) new products contemplated in the development stage of these products

The company prioritizes conservation, the development and creation of new tourism products, given the current market requirements for such services.

Along with its products embodied in packages of accommodation, catering, spas, entertainment, the company aims to develop the capacity of existing and the development and modernization of information system allowing online reservations and other services required by tourists.

The tariff policy and contracting conditions have created incentives for agencies tour operator consisting of:

- Facilities for families with children;
- The "Early Registration" program;
- Commissioning a maximum of 20% in commissions for sales agents to charges under the contract;
- Non-commissioning of the catering services by the customer to the provider paying them a commission of 13%;
- Providing additional discounts (volume) at the end of the season.

Special offers were launched in order to boost sales packages:

"1 May at sea", 'The offer of the Rusalii', Linear offer, "Seaside for all"- spring and autumn edition.

1.1.3. Assessment of the technical-material supply activity

Technical and material supply was based mainly on domestic sources of raw materials, with a few exceptions, namely investment that we used to import sources.

The company has implemented an integrated management system for quality, environment, food safety (EN ISO 9011: 2008, ISO 14001: 2005 and EN ISO 22000: 2005) which covers the segment of supply being implemented for specific operational procedures.

Purchases were made from traditional suppliers, manufacturers or importers, large companies, those with accreditation materials, ISO certified according to European norms and standards.

Suppliers are selected by a selection committee, based on established criteria and a score, reflecting mainly price/quality ratio.

With specific regard to supply sources mention that all raw materials purchased are accompanied by certificates of conformity, warranty certificates, data sheets.



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Stocks of raw materials are minimal given the low season period.

1.1.4 Assessment of sales activity

a) Description of sequential sales evolution on domestic and foreign markets and sales prospects in the medium and long

The company has been operating mainly based on tourism signed service contracts with travel agencies, the National House of Public Pensions (contract treatment), foreign tourism, other beneficiaries, online sales. 2016 compared to BVC and achievements of the previous year, tourist traffic is as follows:

Days Tourist	CNPP	Agencies	Own account	Online	Other beneficiaries	TOTAL
Conducted at December 31, 2016	138.900	197.922	18.933	23.218	24.435	403.408
BVC 2016	153.841	170.635	14.631	15.147	31.774	386.028
Differences Made-BVC 2016	-14 941	27.287	4302	8071	-7.339	17.380
Powered percentage 2016/BVC 2016	90,29	115,99	129,4	153,28	76,90	104,50
Powered Dec. 31. 2015	161.938	199.130	17.888	15.899	34.076	428.931
Differences Percentage 2016/made in 2015	-23 038	-1.208	1045	7319	-9.641	-25 523
Percentage BVC 2016/Made in 2015	85,77	99,39	105,84	146,03	71,71	94,05
Percentage REB 2016/Made in 2015	95,00	85,69	81,79	95,27	93,24	90,00
Differences BVC 2016/Made in 2015	-8.097	-28 495	-3.257	-752	-2.302	-42 903
Share structure in 2016	34,43	49,06	4,69	5,75	6,06	100,00
Share structure in 2015	37,75	46,42	4,17	3,70	7,94	100,00

As you can see, in 2016 was made a circulation of 403.408 tourist-days representing an increase over the budgeted 4,5% (403.408/368.028).

From the analysis of tourist traffic, we observe:

- Treatment contract signed with the National House of Public Pensions (CNPP) provided a circulation of 138.900 days-tourist tourism in 2016 with less than 14.941 tourist days budgetary provision for this period, the progress of the contract is 92,61% . In comparison with 2015, the number of tourist days was conducted percentage of 85,77%.
- Tourist traffic through travel agencies decreased from 2015 to 1.208 tourist days and to budget provisions grew by 16%. The decline in this indicator compared to 2015 was due to the failure number of tourist dayss because renting of two assets of the Company (Miorita complex and Semiramis complex). At their 2015 tourist traffic through travel agencies accounted for a total of 12.012 days-tourist.
- Segment sales for own account increased by 29,4% compared to the budgetary provisions, ie 5,84% over 2015.
- Online sales segment recorded a significant increase in 2016 compared to 2015 (146,03%) and to BVC with 153,28%.



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- The company signed contracts with other beneficiaries (unions, associations, sports federations, etc.) based on which there has been a tourist circulation of 24.435 days-tourist, compared with 31.774 tourist days budgeted, representing 76,90% from budgetary provisions.

Another indicator of tourist traffic, the number of tourists registered a similar evolution to that expressed in tourist days in their own on-line and the average stay registered similar values to those of last year.

Explanations	Treatment	Agencies	Own account	Other beneficiaries	Online	TOTAL
Number of tourists in 2016	8.460	31.485	5.891	4.071	6226	56.133
Number of tourists in 2015	10.056	32.821	6.307	6.893	4.265	60.342
Differences 2016/2015	-1.596	-1 336	-416	-2.822	1.961	-4.209
% 2016/2015	84,12%	95,92%	93,40%	59,06%	145,97%	93,02%
% 2016/Partners	15,07%	56,09%	10,49%	7,25%	11,09%	100,00%
% 2015/Partners	16,66%	54,39%	10,45%	11,42%	7,06%	100,00%

The average stay

Explanations	Treatment	Agencies	Own account	Other beneficiaries	Online	TOTAL
Arrival Environment 2016	16	6,29	3,21	6	3,72	7,18
Arrival Environment 2015	16	6	2,84	5	3,72	7,10
Differences 2016/2015	0	1,04	1,13	1.2	0	1,01

From analysis of the above resulted indicator average tourist stay a positive evolution in 2016, representing 7,18 days average stay from 7,10 days average stay in 2015, growth is mainly made from their own (3,21/2,84) and the agents (6,29/6,00).

The average occupancy rate in 2016 was 59,15% compared to 2015 when it recorded 59,00%.

In the coming years we will continue in the adaptation of tariff policy and contracting market demands, creating favorable circumstances for agencies tour operator, granting discounts for volume, facilities for families with children, policy Registrations early failure commissions for sellers and bring benefits stimulate the sale of food. We pay more attention to online sales segment. We envisage the development of special offers designed to ensure an increase in tourist traffic and to continuously adapt the tourism product to market developments.



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b) Description of the competitive environment, the market share of the services and the main competitors

The company operates in an area where the main activity is the very object of our activity, namely the provision of accommodation, food, entertainment, the main attraction representing a beach and bathing water quality of the Black Sea and curative qualities the main natural resources spa cure, mud Techirghiol, Techirghiol Lake water, mesothermal sulphurous water, sea water and marine aerosols.

The area has the highest concentration of tourist capacities, creating a highly competitive environment, but also nondetermination, individual development generating increasing the attractiveness of the area, which resulted in the employers' organization of companies that establish common objectives and partnerships with local authorities.

Real competition is the external market with similar products, tariff policy distinguishing, identifying in this market as a competitor Bulgarian coast.

c) Description of any significant dependent society to a single client or to a group of clients whose loss would have a negative impact on company earnings

The tourism products of T.H.R. Marea Neagra S.A. have a wide national distribution and are available on all distribution channels (travel agents, websites, direct sales, etc.). As a result, the disappearance of a distribution partner will not significantly affect the tourism product.

An important customer is the National House of Public Pensions. Given that public procurement of this partner is retirees from the public sector by not buying these services do not cancel CNPP consumer demand. Health treatment is a necessary and ongoing product will sit on other distribution channels so that consumers can get to acquire the necessary product.

Correlated with the fact that our product is customized spa treatment, known and proven in the market, we will not encounter major difficulties with negative revenue impact if one of our main partners would withdraw from the market.

1.1.5. Assessment of aspects of employees/staff group

a) Regarding the human resources available locally in 2016 compared to 2015, the evolution of personnel was as follows:



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Nr. crt.	Indicator	No. to 31.12.2016	2016	2015
1	No. Permanent staff of which:	122	125	125
	a) TESA personnel	44	46	47
	b) operational staff	78	79	78
2	No. seasonal staff	22	271	269
3	Total staff	144	396	394

Compared to 2015, there is an average number of maintenance staff.

The situation in the dynamics of gross wages compared to income is as follows:

Nr. crt.	Indicator	2016	2015	2016/2015%
1	Expenses gross salary (RON)	8.158.743	6.863.841	118,87%
2	Average number of employees	396	394	100,51%
3	Turnover (ROL)	35.386.102	34.231.396	103,37%
4	Labor productivity (lei/employee)	89.358	86.882	102,85%
5	Average gross monthly salary (lei) made	1.717	1.452	118,25%
6	Average gross economy as Social insurance law	2.681	2.415	111,02%
7	Minimum wage (RON)	1.250	1.050	119,05%

Gross wage costs recorded an increase over 2015 of 18,87% in terms of the average number of employees remained constant. The increase was caused by higher wages legislative requirements regarding the minimum gross salary per economy. Efficient use of human resources commensurate with a slight increase labor productivity in 2016 compared to 2015 by 2,5%

Compared to the average gross salary of 2.681 lei economy, the gross salary of 1.717 lei registered on group represents 64%.

b) Relations between the manager and the employees covered by collective bargaining agreements, is based on communication, involvement and team spirit, observing the rules and working procedures established by internal regulations, job description, without any elements of conflict.

1.1.6. Assessment on impact of activity of the issuer on the environment.

The main activity of the Group is carried out in compliance with legislation on environmental protection requirements, obtaining environmental permits required for each type of activity on each site.

The company identified all its activities with potential environmental impact and has covered environmental standards ISO 14001: 2005 by procedures.

In 2016 the Group has not faced legal disputes regarding the non-compliance of environmental regulations.



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5. Financial accounting situation

In 2016, the Group had organized accounting under OMF OMF 881/2012 and 2844/2016 to approve accounting regulations in accordance with International Financial Reporting Standards. According to regulations of mentioned financial statements prepared by the parent company are audited annually by an audit firm ABA Audit SRL based on services contract no.918/21.04.2015.

The situation in the dynamics of the main active posts compared with 31.12.2016 similar items 2015 and 2014 is as follows:

ACTIVE	Value at 31.12.2014 (lei)	Value at 31.12.2015 (lei)	Value at 31.12.2016 (lei)	Variation 2016/2015 (%)	Weight 2016 total Active (%)
Intangible assets	42.445	612.035	510.805	83,46%	0,19%
Tangible	204 074 065	233 791 661	216 221 771	92,48%	82,10%
Real estate investments	3.351.613	3.337.958	16.350.751	489,84%	6,21%
Financial assets	0	0	2.432.010		0,92%
Receivables (including receivables on deferred tax)	1.972.807	1.538.569	1.394.641	90,65%	0,53%
TOTAL NON-CURRENT ASSETS	209 440 930	239 280 224	236 909 977	99,01%	89,96%
Stocks	942.313	658.266	617.359	93,79%	0,23%
Receivables	4.438.332	13.098.227	6.121.275	46,73%	2,32%
Financial assets	1.336	1.336	0	0,00%	0,00%
Cash	12.499.360	3.047.685	7.777.716	255,20%	2,95%
Assets classified as held for sale	7.350.672	4.073.434	11.007.555	270,23%	4,18%
Expenses registered in advance	35.153	42.367	923.873	2180,64%	0,35%
TOTAL CURRENT ASSETS	25.267.165	20.921.314	26.447.777	126,42%	10,04%
TOTAL ASSETS	234 708 095	260 201 538	263 357 754	101,21%	100,00%

In the Group's assets have the largest share assets (89,96%), mainly land and buildings share being 10,04% of current assets.

On 31.12.2016, the assets was a decrease of 0,99% compared to 2015, following the change of destination of their classification as tangible property investment (Semriamis complex, complex Miorita) or as assets held for sale (Magura complex, complex Brandusa, Horia hotel, complex Venus, complex Tosca).

Analyzing the structure, tangible assets represent 82,10% of total assets.

International Standards (IFRS) require the reclassification of the active depending on their use.

At current assets was an increase compared to the level achieved in the previous year, from 4.073.434 lei to 11.007.555 lei, increasing assets held for sale due to falling inventories.



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Group receivables consist primarily of trade receivables; receivables represented the state budget VAT recoverable, deferred income tax receivables.

In 2016 posts liabilities had the following evolution:

Liabilities	Value at 31.12.2014 (lei)	Value at 31.12.2015 (lei)	Value at 31.12.2016 (lei)	Variation 2016/2015 (%)	Percentage 2016 total liabilities (%)
Subscribed and paid capital	57.894.995	57.894.994	57.894.994		21,98%
Capital adjustment due application of IAS 29	0	85.945.333	85.945.333		32,63%
Share premium of which:	1.895.814	1.895.855	1.895.855	100,00%	0,72%
Premium and merger	1.894.814	1.894.814	1.894.814		
Share premium inflated due application of IAS 29	0	41	41		
Reserves of which:	20.980.920	24.917.245	26.451.693	106,16%	10,04%
Legal reserves	4.238.921	4.522.914	4.800.831		
Other reserves	13.334.143	20.394.331	21.650.862		
Therefore inflated reserves first application of IAS29	0	16.745.901	16.745.901		6,36%
Legal reserves inflated due application of IAS 29	0	1.280.018	1.280.018		
Other reserves inflated due application of IAS 29	0	15.465.883	15.465.883		
Revaluation differences of which:	99.572.027	114 037 747	108 045 261	94,75%	41,03%
Differences revaluation year 2015		17.818.925	17.818.925		
Except retained earnings arising reported the adoption of IAS 29 for the first time	42.229.372	47.420.552	53.330.461	112,46%	20,25%
From correction of accounting errors from previous years	(9.813.664)	(8.096.457)	(10.650)		
Surplus from revaluation reserves	54.937.852	58.710.059	52.870.621		
Originated from the transition to IFRS	(3.193.052)	(3.193.052)	631		
Retained earnings from adopting first IAS 29	0	(102 691 275)	(102 691 275)		-38,99%
result for the year	6.033.421	4.802.150	4.399.514	91,62%	1,67%
Other elements of equity	(10.861.023)	(13.362.778)	(12.895.836)	96,51%	-4,90%
Equity	217.745.526	237. 605.723	239. 121.901	100,64%	90,80%
Medium and long-term debt	10.996.371	14.243.235	16.047.792	112,67%	6,09%
Short term debts	5.966.199	8.352.579	8.188.061	98,03%	3,11%
TOTAL LIABILITIES	234.708.097	260.201.538	263.357.754	101,21%	100,00%

Within passive elements, the highest share have equity (about 90,80%), capital representing 21,98% of total liabilities.

Equity on 31.12.2016 consists of:

-Capital capital subscribed and paid in the amount of 57.894.994 lei, unchanged over the last three years;

--First issue and merger in the amount of 1.895.814 lei, unchanged over the last three years;

-Tanks for legal and other reserves in the amount of 26.451.693 lei, an increase over 2015 of 6,16%;

-The difference from revaluation of company assets amounting to 108.045.261 lei to 2015 decreased by 5,25% due to sell certain assets;



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-The result of earnings came mainly from the revaluation reserve surplus in the amount of 53.330.461 lei to 2015 increased by 12,46% in principal transferring surplus realized on account relating to the assets sold;

-Net -result of year amounted to 4.399.514 lei saw a decrease from that of 2015 by 8,38%.

Mention that revaluation since 01.01.2004 is recognized in terms of tax revenues as similar items as depreciation of tangible assets and their output. For these temporary differences between the carrying amount and the tax, IAS 12 requires the calculation of deferred income tax, which reduces the value of equity (included in the table above under the heading other capital related items) and add to the debt.

Long-term liabilities arise mainly from tax asset amounting to 12.960.731 lei and credits for investments in the amount of 2.400.000 lei.

Deferred income tax is not due and will be recognized as a liability payable, as depreciation or output of heritage assets.

Payable consist of trade payables in the amount of 491.079,90 lei, including wage related taxes and contributions in the amount of 522.636,47 lei, tax in the amount of 1.040.142 lei, due by 01/01/2017, loans the amount of 3.943.232 lei, the company not registering debts.

Result for the fiscal year

lei

indicators	2014	2015	2016	Index 2016/2015
Total operating revenue:	47.223.130	42.517.131	48.174.341	113,31%
Income from accommodation	17.585.735	20.878.291	20.160.054	96,56%
Income from food	8.731.786	9.659.528	10.617.463	109,92%
Rental income	272.410	356.661	1.169.102	327,79%
Other income included in turnover	3.110.291	3.336.916	3.439.483	103,07%
Income from assets disposed of and active held for sale	15.665.455	7.260.763	10.919.946	150,40%
Other incomes	1.709.978	1.024.972	1.868.293	182,28%
Changes in inventories	147.476	0	0	
Total operating expenses:	39.013.714	36.365.495	42.237.130	116,15%
Expenses Stocks	7.080.456	6.852.891	6.971.502	101,73%
Expenditure on utilities	2.209.065	2.560.983	2.579.857	100,74%
Employee benefits expense	7.639.345	9.792.259	11.413.279	116,55%
Amortization and depreciation expenses assets	6.481.986	6.790.976	7.266.785	107,01%
Expenditure on property, and assets transferred held for sale	7.905.542	3.381.254	6.095.247	180,27%
Other taxes and fees	2.735.620	2.217.785	3.332.924	150,28%
Expenditure on external supply	4.007.457	4.042.149	4.414.570	109,21%
Other expenses	954.242	727.198	162.965	22,41%
Operating result	8.209.416	6.151.636	5.937.212	96,51%
Financial income	316.604	274.359	197.465	71,97%
Financial charges	575.732	149.304	582.023	389,82%



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Financial result	-259 128	125.055	-384 558	-307,51%
Total income	47.539.733	42.791.490	48.371.806	113,04%
Total expenses	39.589.446	36.514.799	42.819.153	117,27%
Gross profit	7.950.288	6.276.691	5.552.654	88,46%
The result before tax	7.950.288	6.276.691	5.552.654	88,46%
Current income tax expense	1.939.044	1.339.701	1.182.409	88,26%
Deferred income tax expense	-1.764	134.842	0	0,00%
Income tax return postponed	20.413	0	29.269	
The net result	6.033.421	4.802.149	4.399.514	91,62%

Indicators	2014	2015	2016	Index 2016/ 2015
The operational activity				
Basic activity				
Income	31.557.675	35.256.368	37.254.395	105,67%
Costs	31.108.172	32.984.241	36.141.883	109,57%
Cross profit core business	449.503	2.272.127	1.112.513	48,96%
Financial activity				
Income	316.604	274.359	197.465	71,97%
Costs	575.732	149.304	582.023	389,82%
Gross profit financial	-259.128	125.055	-384.558	-307,51%
Total revenue from activity financial operational	31.874.279	35.530.727	37.451.860	105,41%
Total expenses of the activity financial operational	31.683.904	33.133.545	36.723.906	110,84%
Gross profit activity financial operational	190.375	2.397.182	727.955	30,37%
The sales activity active				
Asset sales revenues	15.665.455	7.260.763	10.919.946	150,40%
Expenses asset sales	7.905.542	3.381.254	6.095.247	180,27%
Gross profit from the sale of assets	7.759.913	3.879.509	4.824.699	124,36%
Total income	47.539.733	42.791.490	48.371.806	113,04%
Total expenses	39.589.446	36.514.799	42.819.153	117,27%
TOTAL GROSS PROFIT	7.950.288	6.276.691	5.552.654	88,46%



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Tax	1.916.866	1.474.543	1.153.139	78,20%
Net income	6.033.421	4.802.149	4.399.514	91,62%

The total revenues recorded in 2016 in the amount of 48.371.806 lei in comparison to 2015 with 13,04%. Total expenses recorded in the financial year 2016 amounting to 42.819.153 lei in comparison to 2015 to 17,27%, so a greater proportion than income, leading to a gross profit recorded in May 31.12.2016 with 11,54% lower than that registered 31.12.2015.

The activities in relation to share revenues in total revenues, one can identify two categories namely: core activity of the company (strictly operational) generating income in percentage of 77,02% of total revenues and sales activity active as strategy development/restructuring approved by the General Meeting of Shareholders income in percentage of 22,58% of total revenues.

Total gross profit achieved in amounting to 5.552.654 lei shows on activities, following structure:

- Activity of (operational)	1.112.513 lei (20,04% of total PB)
- active sales activity	4.824.699 lei (86,89% of total PB)
- financial activity	-384.558 lei (-6,93% of total PB)

Decreased total gross profit margin achieved in 2016 (5.552.654 lei) compared to that achieved in 2015 (6.276.691 lei) is due to the following factors:

- Failure income food related activity contracted travel agencies;
- Amortization costs increased amount of assets, due to higher asset values as a result of modernization works carried out;
- Increased spending local taxes as a result increase the taxable value of assets, the effect of revaluation according to Standard GEV 500;
- The significant increase in external supply costs. Significant influence in their amount represented an amount calculated and paid by the company, by way of royalties treated as wages, seasonal staff drew in Moldova.

Also, the cost of benefits to third parties were encumbered in their upwards and Demolition amounts of active ingredients, for performing investment works.

Concluding at the end of 2016, the Group recorded a gross profit worth **5.552.654 lei**, and net income, determined after deduction of income tax calculated according to legal regulations in the amount of **4.399.514 lei**, a decrease from that recorded in 2015 (4.802.149 lei) with 8,38%.



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3. Financing of activity

During 2016, the parent company has funded work using own sources and by employing two lines of credit totaling 10.000.000 lei, which were used at the end of 2.500.000 lei.

The Company also contracted two lines of credit for financing investment, as follows:

- 1.950.000 lei, short-term credit;
- 3.200.000 lei, long-term loan (five years).

In 2017, to the date of this report, the company proceeded to full reimbursement, early, short-term loan amounting to 1.950.000 lei.

Regarding obligations to pay company not registered on 31.12.2016, overdue obligations in relation to the state budget, banks and other authorities.

5. The tangible assets of the company

4.1. The main accommodation and catering capacities of the Company, located in the tourist circuit in 2016 are:

Accommodations:

- | | |
|--|--------------------|
| - 2hotels of 4 * with a total capacity | 992 Accommodation |
| - 8 hotels of 3 * hotels with a total capacity | 3462 Accommodation |
| - 12 hotels of 2 *, with a total capacity of | 3040 Accommodation |

Catering units:

- | | |
|---|-----------|
| - 3 restaurants 4*, with a total capacity of 1440 seats – | |
| - 7 restaurants 3* with a total capacity of 3267 seats | |
| - 6 restaurants 2*, with a total capacity of 4174 seats | |
| - 2 day bars 4* with a capacity of 120 places | |
| - 9 day bars 3* with a total capacity of | 554 seats |
| - 2 cocktail bar 2* with a total capacity of | 130 seats |
| - 1 bar of 2* with a capacity of 170 places | |
| - 2 buffets 1* with a capacity of 150 places | |

Entertainment units:

- 3 aqua park sites with a total capacity of 850 seats.



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Spa treatment units:

- four treatment centers: Complex Bran-Brad-Bega Hora, Balada and Sirena with a total capacity of 5.350 procedures per day.

In total, the company had 2016 tourist circuit 7.494 beds and 10.005 places catering, distribution of the state is presented below:

Cat. Assessment	Eforie Nord		Eforie Sud		Venus		Saturn		Grand total	
	Units	Head	Units	Head	Units	Head	Units	Head	Units	Head
****	1	438	0	0	0	0	1	554	2	992
***	0	0	0	0	2	516	6	2.946	8	3.462
**	3	540	3	672	1	168	5	1.660	12	3.040
Total accommodation	4	978	3	672	3	684	12	5.160	22	7.494

Cat. Assessment	Eforie Nord		Eforie Sud		Venus		Saturn		Grand total	
	Units	Head	Units	Head	Units	Head	Units	Head	Units	Head
restaurants										
****	2	600	0	0	0	0	1	840	3	1.440
***	0	0	0	0	1	182	6	3.085	7	3.267
**	1	900	1	228	2	1.086	2	1.960	6	4.174
Total	3	1.500	1	228	3	1.268	9	5.885	16	8.881

Cat. Assessment	Eforie Nord		Eforie Sud		Venus		Saturn		Grand total	
	Units	Head	Units	Head	Units	Head	Units	Head	Units	Head
Bars										
****	1	80	0	0	0	0	1	40	2	120
***	0	0	0	0	1	54	8	500	9	554



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**	1	120	0	0	1	10	0	0	2	130
Total bars day	2	200	0	0	2	64	9	540	13	804
Buffets										
**	0	0	0	0	0	0	1	170	1	170
*	0	0	1	60	0	0	1	90	2	150
Total buffets	0	0	1	60	0	0	2	260	3	320
Total earnings publish	5	1.700	2	288	5	1.332	20	6.685	32	10.005

4.2 Description and analysis of wear properties of companies

The assets held by the company are older than 45 years, generally being built during 1968-1972. Assets under own tourist circuit classification certificates and permits for operation, fulfills the legal requirements for comfort category respectively.

Some assets have been modernized in the last 10 years, the high level of comfort in one or two stars to three and four stars. The works performed were far-reaching, including consolidation, such as they recorded a lower wear than their age.

A particular activity is the existence of the heritage of productive units and auxiliary inoperable and others with partial operation, which hampers the core business and the economic result, given the necessary investment and shortage of funds, the market low real estate market and consequently reduced possibility capitalization asset sale approved by the company's strategy.

These assets generate costs both fixed and variable costs necessary conservation, nature fixed costs of taxes, as amended by Law no.227/2015 regarding the Fiscal Code with application since 01.01.2016.

To optimize these costs has been provided partial operation of assets where possible, to reduce the volume of losses.

5. Evaluation of investment and development

The company is in a constant search for solutions to reduce costs, but also to attract new customers. The company implemented alternatives to produce electricity or heat for domestic hot water with solar energy, the solution is expanding. Also, considering the fact that the local administration has completed investment gas supply resorts, the company is considering connecting boilers and food blocks to the gas network, with a positive impact on the environment and efficient use of financial resources.



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The company also completed the implementation of integrated information system for all units of accommodation and catering it holds the information systems of the main partners (National Pensions public agencies, tour operators), so you can get real time information on realization of tourist packages and their reallocation depending on requests and reconfiguration of pricing and sales policy.

In 2016, the Group made significant investments amounting to 20.048.045 lei (including VAT), of which the most important are listed below:

Nr. crt.	Investment objectives	Made in 31.12.2016
1	Narcis Complex - Phase II - works interior installations (228 rooms) and works Exterior - facades balconies, waterproofing, furniture, landscaping lounge restaurant Breakfast	6.673.195
2	Lidia complex - construction works, furniture, hotel TV system, system Air conditioning rooms	1.343.706
3	Hotel Hora - works railings balconies, rooms electrical works	1.275.749
4	Hotel Balada - works railings balconies, rooms electrical works	1.256.717
5	Hotel Aida - Finishing partial facades, construction and electrical works rooms and hallways, rooms furniture	849.894
6	Hotel Cerna - construction works interior bathrooms, cladding tiles 52 bathrooms, Plumbing	811.019
7	Hotel Miorita - works on facades, balconies construction	662.000
8	Complex Brandusa - interior painting works ctii 40 bathrooms, exterior painting 40 balconies, room furniture	469.359
9	Restaurant Cerna - Enlargement works landscaping patio furniture	444.990
10	Ballad and Cleopatra pools - tiled cladding works, painting, pumps	326.160
11	Hotel Tosca - construction and installation works	125.536
12	Restaurant Aida - works plumbing and Electroviatormassage	143.230
13	Buffet Narcissus - construction works landscaping terrace, electrical	128.614
14	Hotel Cleopatra - Works bathrooms, exterior painting	113.281
15	Capitol Complex - works painting and exterior painting	101.755
16	Complex BBB – Works water treatment plant	70.814



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17	Lawns disabled (bathrooms, rooms, ramps)	142.299
18	THR kitchen equipment units	138.537
19	Invested ii IT (licenses, equipment, software) of the additional license Opera for H Cleopatra BBB Complex, Hotel Aida	243.084
20	Switchboards, enclosures, electric meters to a total of 11 units	44.465
21	Other exterior construction works, waterproofing, electrical equipment and devices nature of investments	1.165.065
	Total investments without VAT	16.706.704
	VAT	3.341.341
	Total investment	20.048.045

To finance these investments were used own sources of funding:

Explanations	Value (RON)
Cash flow generated by selling assets with full payment"installment (VAT) after payment Income tax	19.261.366
Development fund	957.331
Attracted sources - bank credit	5.150.000
Amortization	6.925.648
Own sources of financing	32.294.345

The share contribution in providing financing for investments was represented by own resources, results from their workouts.

6. Specify potential problems related to ownership of the tangible assets of the company.

The main disputes ownership of the company's tangible assets is related to:

- PTTR Agency Ag.Voiaj Saturn, against the Romanian Post Mail
- Land area of 197 sqm for the police headquarters in Eforie Nord (Technical Office) against Fortunescu A.



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7. Market securities issued by the company

7.1. Specifying markets in Romania and other countries that the securities issued by the company.

It is a publicly owned company, according to the terminology provided by Law 297/2004 on the capital market, being registered with the Nat law Securities - Securities Office records.

THR Marea Neagra SA shares are listed on the second tier of the Bucharest Stock Exchange since August 15, 2002, with the symbol "EFO". On the last trading day of 2016, ie 30.12.2016, the closing of the Stock Exchange THR Marea Neagra SA SA shares were listed on the value of 0,0826 lei/share, compared to 0,0848 lei/share 31.12.2015.

7.2. Description of company policy regarding dividends. Specification of dividends due/paid/accumulated over the past three years and, if applicable, the reasons for any shrinking dividends during the last three years.

In 2013 shareholders of the company determined that the profits earned to be used for distribution established by law and the remaining net profit to remain available to the company to finance investments.

In 2014, the General Meeting of Shareholders decided to distribute dividends amounting to 2.026.325 lei, the remaining profit is allocated to legal reserves and distributions to fund the company's development.

For the 2015 Annual General Meeting decided to distribute profit for legal reserves, to their sources of financing and dividend is worth 3.137.436 lei.

7.3. Description of any activities of the company to acquire own shares.

The company did not purchase own shares in 2016.

7.4. If the company has subsidiaries, including number and nominal value of the shares issued by the parent company held by subsidiaries.

The company holds interests in the share capital of other entities, as follows:

- 100,00% of the share capital of SC Balneterapia SRL
- 32,059% of the capital shock in part of SCTransilvania Hotels & Travel.



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7.5. If the company has issued bonds and/or other debt instruments, showing how the company pays its obligations to the holders of such securities.

The Company has not issued bonds during 2016.

8. The management of the company

8.1. Presentation of the company directors and the following information for each director:

THR Marea Neagra SA Company is managed by a Board of Directors consisting of five members,

Namely:

Mielu Dobrin	-President
Prescure Titus	-member
Nicolae Butoi	-member
Dorinel Cazacu	-member
Dragos Calin	-member

The General Meeting of Shareholders of SC THR Marea Neagra SA has met on 21.04.2016 approved the appointment of Mr. Dragos Calin as a member of the Board of Directors of the Company for a period equal to difference of mandate that remains to be executed by the administrators in operation ie until the date of 19.03.2019.

All Board members were elected at the shareholder proposal SIF Transilvania.

The Board of Directors met regularly in meetings, according to Law 31/1990 and in accordance with the Constitutive Act.

The Board of Directors monitored the operational and financial performance of executive management through indicators and performance criteria set in the budget of revenues and expenses and other approved programs. All efforts of the Board and executive management were aimed at fulfilling the company's mission to provide quality services, with trained personnel. Also, the priority objective is to develop material and technical basis, rehabilitation and modernization of the existing through a coherent and consistent investment in terms of effective environmental protection.



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Board of Directors to pursue work program proposed for 2016, implementation of the budget of income and expenses and monthly and quarterly investment program and approved repairs.

The effort forward and organization of the Board resulted in programs of future development of the company, marketing programs, programs computerization programs of promotion and recruitment and increasing the quality of tourism products, systems procedures for the main activities of the company and reconsideration of its organizational structure

b) any agreement, understanding or family connection between that administrator and another person because that person was appointed administrator;

It's not necessary.

c) participation in the company's capital administrator;

Mr. Mielu Dobrin, Chairman of the Board, owns 406.759 issued by the Company.

d) list of persons affiliated company.

Affiliates of THR Marea Neagra SA Company SA are:

- SIF Transilvania SA, which owns 7 7.71% of shares issued by THR Marea Neagra SA;
- Balneotherapy Saturn Ltd, a company in which SCTHR Marea Neagra SA holds 100% of shares issued;
- Transylvania Hotels & Travel S.A., A company in which THR Marea Neagra SA holds 32,059% of the share capital.

8.2. Presenting to senior executives of the company.

Company's executive management was provided to date by Mr. Stan Virgil 30/09/2016 - General under the mandate contract concluded under Law 31/1990.

Board of Administration, met on 27.09.2016, decided to appoint Mrs. Narcisa Mosoiu as General Manager for the period 01.10.2016-30.09.2017.

a) the term for which the person is part of the executive;

The General Manager concluded with a contract according to Law 31/1990, the contract that expires on 30/09/2017.



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b) any agreement, understanding or family connection between the person and another person because that person has been appointed as member of executive management;

It's not necessary

c) that person's participation in the company's capital.

Within the executive, Mrs. Mosoiu Georgiana Narcisa has a total of 1.500 shares.

8.3. For all persons presented in 8.1. and 8.2. the specify of any litigation or administrative proceedings involving the past five years, on their activity within the issuer, as well as those concerning the person's ability to perform their duties within the issuer.

It's not necessary.

10. Assessments of risk management company

9.1. Group Management provided and ensure prudent management of liquidity risk, aiming always ensure enough cash so as to cope with time payments on due date.

Specific work done, result in exposure to a variety of risks of the company as well as specific risks and financial market on which it operates. Risk is defined as the possibility of unfavorable results recorded deviations from expected levels due to random fluctuations. Significant risks represent risks with significant impact on the economic situation and/or reputational society.

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

In their activity, the Group may experience uncontrollable risks, which are generally associated with external factors such as macroeconomic conditions, legislative changes, changes in the competitive environment, etc. Usually, however, the Group faces risks controllable for adopting policies and procedures of active management (analysis, monitoring and control). These risks are associated with internal invoices and nature of activity, complexity of the organizational structure, quality of staff, etc.

The main risks to which the Group is exposed are:

- currency risk
- interest rate risk
- credit risk
- liquidity risk
- operational risk

Currency risk



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The group is easily exposed to fluctuations in currency exchange rates, mainly if current accounts in foreign currency assets and liabilities in other currencies and assets and liabilities in lei, but contracts are strengthened in relation to other currencies, usually in EURO and/or USD. Share transactions or strengthened in other currencies is low, so that risk does not have much impact

Interest rate risk

The company's operating cash flows are affected by changes in interest rates, mainly if credit lines contracted depending on ROBOR rate. In recent years the reference rate ROBOR had a relatively constant trend, which makes this risk is reduced.

Credit risk

Credit risk is the risk of recording losses or estimated profits, as a result of non-fulfillment of financial obligations. THR Marea Neagra SA has sold assets in installments, which calculates and collects interest. The rest of the price for the contracts and interest are secured by mortgages on assets in favor THR, so the risk of not cashing is reduced.

Liquidity risk

Liquidity is the Group's ability to secure the necessary funds to meet all its obligations to pay direct and indirect, at a reasonable price at any time. Liquidity risk is the risk that current or potential that could be subject to profits and shares, following its inability to meet its payment obligations when due.

The group watched constantly to ensure a balance between its sources of funding and its short-term needs, such as had always cash to fulfill financial obligations. Company prepares monthly cash flow forecasts for periods ranging from six months to a year, so it can detect in time any potential lack of liquidity and may take steps accordingly.

Operational risk

Operational risk is the risk of recording losses or estimated profits due to internal factors such as scrolling inadequate of internal activities, existing staff or systems inadequate or because of external factors such as economic conditions, changes capital markets, technological progress. Operational risk is inherent in all activities of the Company.

The policies adopted by the company to prevent and manage operational risk, which can have a direct impact negatively on operating activity (base), taking into account every type of event that can generate such risks.



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9.2. Elements of perspective on the company's activity

One product with high growth potential in the future is spa tourism. The company's units are located in resorts with natural cure factors. The company identified opportunity and obtained licenses to exploit these natural resources, extending the capacity of the treatment facilities, so we can meet demand for such services.

This segment health and wellness will ensure mitigation of tourist activities and will help us attract tourists and foreign, especially European area. European Directive no. 24/2011 sets forth the rights of patients in cross-border healthcare, providing the legal framework to be guaranteed rights of European citizens to health services in all EU countries. One of the main concerns of the company is to attract this segment of tourists.

Another direction of development is leisure tourism, which is a priority for the company, with stage design environment environmental redevelopment, including the development of leisure facilities. A major concern of the company is to expand distribution channels. The company is in constant search of new customers and strengthens relationships with current customers market.

10. The corporate governance

The Board of Directors met monthly meetings, according to Law 31/1990 re published and whenever needed, its duties as provided in the Articles of Association.

The Board of Directors monitored the operational and financial performance of executive management through indicators and performance criteria set in the budget of revenues and expenses and other approved programs.

During 2016 work was focused on managers carrying out of the activity of the company in accordance with the decisions of AGA, the law and the Articles of Association.

One of the constant concerns of managers has been increasing sales by developing sales department, identifying new customers and retaining traditional customers. It was also envisaged improving policies for promoting tourism products, by launching special offers and deals tailored for specific categories of tourists.

Also, the Board was concerned about asset sales, approving minimum prices and conditions of sale of these assets. The company actively seeking potential clients, public auctions organized and conducted adequate advertising of such transactions.

Disputes Management company are systematically monitored so that each meeting of the Board was on the agenda at least one point on the main disputes society. The Board of Directors reviewed options that the company has in these cases and, where applicable, hired law firms specializing in such disputes.



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Within the company organized two committees with the following components:

- Audit Committee: Butoi Nicolae and Prescure Titus
- Committee remuneration: Mielu Dobrin and Cazacu Dorinel.

The company is managed in the single system, the company's executive management is provided by Mrs. Narcisa Georgiana Mosoiu, as CEO. General Manager duties are clearly defined mandate as stipulated in the contract signed with the company.

In the company there is implemented a system of internal control for the main activities being established work procedures. Internal control to ensure at all levels in the company being set up an office of internal financial control and management.

The internal audit activity was outsourced, and in this respect was signed a contract with SC MAN-CO SRL Bucharest. Internal Audit is directly subordinated to the Board of Directors.

The company joined a Code of Corporate Governance which approved new BSE Corporate Governance Code which came into force starting with 4 January 2016.

Financial and accounting reports of the Company are submitted to the tax authorities and bodies of the market in terms of the law.

The appointment or replacement of Board members and amending articles of incorporation are under the law, without society have special rules in this regard. To date proposals for members of the Board of Directors were made by the majority shareholder; the appointment is decided by the General Meeting of Shareholders. Chairman of the Board is elected by the members of the Board of Directors.

Board members have responsibilities on the issue or buy back shares. The management agreement stipulates that if the company or its directors interrupt the execution of the warrant, without just cause, the revocation or cancellation, will respond to the other party of any damages.

General shareholders' meetings are as follows:

- check the attendance list of shareholders, capital that each one it represents and finding fulfillment of legal requirements and the Articles of Association to the general meeting;
- presents items on the agenda of the convening notice and put to the vote;
- GMS decisions are taken by open vote, except for the appointment of managers and financial auditor is mandatory secret ballot;
- check voting results and recorded in the minutes of the meeting.

According to the provisions of Law 31/1990 and the Articles of Association, AGOA has following responsibilities:

- a) to discuss, approve or modify the annual financial statements, based on reports of the Board of Directors and the auditor and determine the dividends;



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- b) to elect and dismiss the members of the Board, to appoint or dismiss the financial auditor and to set the minimum term of the audit contract;
- c) to agree with the remuneration for the current members of the Board;
- d) to decide on the management of the Board of Directors;
- e) to establish the income and expenses and, if necessary, the work schedule, the next financial year;
- f) to decide the pledge, lease or close one or more units of the company.

The Shareholders have non-property rights (the right to participate in general meetings of shareholders, voting rights, right to information) and economic rights (right to dividends and the right to dispose of the shares).

11. Conclusions and proposal for profit distribution of the company

In 2016 the company has been operating in accordance with the Articles of Association, the decisions of AGA, the BVC, in compliance with legislation on the organization and Recognition of specific activity and capital market regulations.

Given the above, the Board proposes to the distribution of net profit of the black S.C. T.H.R. Marea Neagra S.A. in value of 4.455.307 lei, as follows:

-The legal reserve	=	277.117 lei
-Dividends	=	3.936.860 lei
-Own financing sources	=	241.330 lei

Chairman of the Board
Engineer Mielu Dobrin



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Compliance with the state of Corporate Governance Code of BVB

	Requirements to be observed	Confor mation Yes/No/ Partial	Explanations
SECTION A – Responsibilities			
A.1.	All companies should have internal regulation of the Board which includes terms of reference/responsibilities for Board and key management functions of the company, applyng, among others, the General Principles of Section A.	Not	It will consider the need for such a regulation
A.2.	Provisions for the management of conflict of interest should be included in Board regulation. In any event, members of the Board should notify the Board of any conflicts of interest which have arisen or may arise, and should refrain from taking part in the discussion (including by not being present where this does not render the meeting non-quorate) and from voting on the adoption of a resolution on the issue which gives rise to such conflict of interest.	Partial	It will consider the Council Regulation.
A.3.	The Board of Directors should have at least five members.	Yes	
A.4.	The majority of the members of the Board of Directors should be non-executive. Not less than two non-executive members of the Board of Directors should be independent, in the case of Premium Tier Companies. Each independent member of the Board of Directors should submit a declaration that he/she is independent at the moment of his/her nomination for election or re-election as well as when any change in his/her status arises, by demonstrating the ground on which he/she is considered independent in character and judgment.	Yes	
A.5.	A Board member's other relatively permanent professional commitments and engagements, including executive and non-executive Board positions in companies and not-for-profit institutions, should be disclosed to shareholders and to potential investors before appointment and during his/her mandate.	Yes	
A.6.	Any member of the Board should submit to the Board, information on any relationship with a shareholder who	Yes	



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	holds directly or indirectly, shares representing more than 5% of all voting rights. This obligation concerns any kind of relationship which may affect the position of the member on issues decided by the Board.		
A.7.	The company should appoint a Board secretary responsible for supporting the work of the Board.	Yes	
A.8.	The corporate governance statement should inform on whether an evaluation of the Board has taken place under the leadership of the chairman or the nomination committee and, if it has, summarize key action points and changes resulting from it. The company should have a policy/guidance regarding the evaluation of the Board containing the purpose, criteria and frequency of the evaluation process.	Not	There is no legal obligation
A.9.	The corporate governance statement should contain information on the number of meeting of the Board and the committees during the past year, attendance by directors (in person and in absentia) and a report of the Board and committees on their activities.	Yes	
A.10.	The corporate governance statement should contain information on the precise number of the independent members of the Board of Directors.	Yes	
A.11.	The Board of Premium Tier companies should set up a nomination committee formed of non-executives, which will lead the process for Board appointments and make recommendations to the Board. The majority of the members of the nomination committee should be independent.	Not	We do not fall within Premium category
SECTION B – Risk management system and internal control			
B.1.	The Board should set up an audit committee, and at least one member should be an independent non-executive. The majority of members, including the chairman, should have proven an adequate qualification relevant to the functions and responsibilities of the committee. At least of the audit committee should have proven and adequate auditing or accounting experience. In the case of Premium Tier companies, the audit committee should be compsed of at least three members and the majority of the audit committee should be independent.	Yes	
B.2.	The audit committee should be chaired by an independent non-executive member.	Yes	



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B.3.	Among its responsibilities, the audit committee should undertake an annual assessment of the system of internal control.	Yes	
B.4.	The assessment should consider the effectiveness and scope of the internal audit function, the adequacy of risk management and internal control reports to the audit committee of the Board, management's responsiveness and effectiveness in dealing with identified internal control failing or weaknesses and their submission of relevant reports to the Board.	Yes	
B.5.	The audit committee should review conflicts of interests in transactions of the company and its subsidiaries with related parties.	Yes	
B.6.	The audit committee should evaluate the efficiency of the internal control system and the risk management system.	Yes	
B.7.	The audit committee should monitor the application of statutory and generally accepted standards of internal auditing. The audit committee should receive and evaluate the reports of the internal audit team.	Yes	
B.8.	Whenever the Code mentions reviews or analysis to be exercised by the Audit Committee, these should be followed by cyclical (at least annual), or ad-hoc reports to be submitted to the Board afterwards.	Yes	
B.9.	No shareholder may be given undue preference over other shareholders with regard to transactions and agreements made by the company with shareholders and their related parties.	Yes	
B.10.	The Board should adopt a policy ensuring that any transaction of the company with any of the companies with which it has close relations, that is equal to or more than 5% of the net assets of the company (as stated in the latest financial report), should be approved by the Board following an obligatory opinion of the Board's audit committee, and fairly disclosed to the shareholders and potential investors, to the extent that such transactions fall under the category of events subject to disclosure requirements.	Yes	
B.11.	The internal audits should be carried out by a separate structural division (internal audit department) within the company or by retaining an independent third-party entity.	Yes	
B.12.	To ensure the fulfilment of the core functions of the internal audit department, it should report functionally to the Board	Yes	



SC Tourism, Hotels, Restaurants Marea Neagra S.A.

Headquarters: Romania, Mangalia, Lavrion street No.29, Constanta county

Tel: + 40-241-752-452 Fax: + 40-241-755-559

No. of Trade Registry Office: J13/696/1991, CIF: RO2980547,

IBAN: RO71RNCB0117015163140001 Romanian Commercial Bank - Agency Mangalia

Capital subscribed and paid: 57.894.993.9 lei

www.thrmareaneagra.ro

	via the audit committee. For administrative purposes and in the scope related to the obligations of the management to monitor and mitigate risks, it should report directly to the chief executive officer.		
SECTION C – Fair reward and motivation			
C.1.	The company should publish a remuneration policy on its website and include in its annual report a remuneration statement on the implementation of this policy during the annual period under review. The remuneration policy should be formulated in such a way that allows stakeholders to understand the principles and rationale behind the remuneration of the members of the Board and the CEO, as well as of the members of the Management Board in two-tier board systems. It should describe the remuneration governance and decision-making process, detail the components of executive remuneration (i.e. salaries, annual bonus, long term stock-linked incentives, benefits in kind, pensions, and others) and describe each component's purpose, principles and assumptions (including the general performance criteria related to any form of variable remuneration). In addition, the remuneration policy should disclose the duration of the executive's contract and their notice period and eventual compensation for revocation without cause.[...] Any essential change of the remuneration policy should be published on the corporate website in a timely fashion.	Not	The Company will include a statement in the annual report on the implementation of the remuneration policy .
SECTION D – Adding the value of the relationship with the investors			
D.1.	The company should have an Investor Relations function – indicated, by person (s) responsible or on organizational unit, to the general public. In addition to information required by legal provisions, the company should include on its corporate website a dedicated Investor Relations section, both in Romanian and English, with all relevant information of interest for investors, including:	Yes	
D.1.1.	Principal corporate regulations: the articles of association, general shareholder meeting procedures;	Yes	
D.1.2.	Professional CVs of the members of its governing bodies, a Board member' other professional commitments, including executive and non-executive Board positions in companies and not-for-profit institutions;	Yes	



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D.1.3.	Current reports and periodic reports (quarterly, semi-annual and annual reports) – at least as provided at item D.8 – including current reports with detailed information related to non-compliance with the present Code;	Yes	
D.1.4.	Information related to general meetings of shareholders: the agenda and supporting materials; the procedure approved for the election of Board members; the rationale for the proposal of candidates for the election to the Board, together with their professional CVs; shareholders' questions related to the agenda and the company's answers, including the decisions taken;	Yes	
D.1.5.	Information on corporate events, such as payment of dividends and other distributions to shareholders, or other events leading to the acquisition or limitation of rights of a shareholder, including the deadlines and principles applied to such operations. Such information should be published within a timeframe that enables investors to make investment decisions;	Yes	
D.1.6.	The name and contact data of a person who should be able to provide knowledgeable information on request;	Yes	
D.1.7.	Corporate presentations (e.g. IR presentations, quarterly results presentations, etc.), financial statements (quarterly, semi-annual, annual), auditor reports and annual reports.	Partial	Will meet where presentations will be held for investors and analysts
D.2.	A company should have an annual cash distribution or dividend policy, proposed by the CEO or the Management Board and adopted by the Board, as a set of directions the company intends to follow regarding the distribution of net profit. The annual cash distribution or dividend policy principles should be published on the corporate website.	Not	There is no legal obligation
D.3.	The company will adopt a policy with respect to forecasts, whether they are distributed or not. Forecasts means the quantified conclusions of studies aimed at determining the total impact of a list of factors related to a future period (so called assumptions): by nature such a task is based upon a high level of uncertainty, with results sometimes significantly differing from forecasts initially presented. The policy should provide for the frequency, period envisaged, and content of forecasts. Forecasts, if published, may only be part of annual, semi-annual or quarterly reports. The forecast policy should be published on the corporate website.	Not	There is no legal obligation
D.4.	The rules of general meetings of shareholders should not	Yes	



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	restrict the participation of shareholders in general meetings and the exercising of their rights. Amendments of the rules should take effect, at the earliest, as of the next general meeting of shareholders.		
D.5.	The external auditors should attend the shareholders' meeting when their reports are presented there.	Yes	
D.6.	The Board should present to the annual general meeting of shareholders a brief assessment of the internal controls and significant risk management system, as well as opinions on issues subject to resolution at the general meeting.	Not	In progress
D.7.	Any professional, consultant, expert or financial analyst may participate in the shareholders' meeting upon prior invitation from the Chairman of the Board. Accredited journalists may also participate in the general meeting of shareholders, unless the Chairman of the Board decides otherwise.	Yes	
D.8.	The quarterly and semi-annual financial reports should include information in both Romanian and English regarding the key drivers influencing the change in sales, operating profit, net profit and other relevant financial indicators, both on quarter-on quarter and year-on-year terms.	Yes	
D.9.	A company should organize at least two meetings/conference calls with analysts and investors each year. The information presented on these occasions should be published in the IR section of the company website at the time of the meetings/conference calls.	Not	There is no legal obligation
D.10.	If a company supports various forms of artistic and cultural expression, sport activities, educational or scientific activities, and considers the resulting impact on the innovativeness and competitiveness of the company part of its business mission and development strategy, it should publish the policy guiding its activity in this area.	Yes	

Chairman of the Board,

Dobrin Mielu

TURISM, HOTELURI, RESTAURANTE MAREA NEAGRA S.A.

SEPARATE FINANCIAL STATEMENTS

31 DECEMBER 2016

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 2016

(All amounts are presented in RON)

For the financial year ended at 31 December	Note	Row	(RON)	(RON)
			2016	2015
Continuing operations				
Income from accommodation	3	1	20,160,054	20,878,291
Income from catering	3	2	10,617,463	9,659,528
Rental income	3	3	1,339,102	526,661
Other income included in turnover	3	4	2,825,792	3,119,304
Income from disposals of tangibles and non-current assets held for sale	4	5	10,919,946	7,260,763
Other income	3	6	1,926,362	1,076,741
Changes in stock	3	7	0	0
Total Operational Income		8	47,788,719	42,521,288
Expenses related to inventories	6	9	6,843,670	6,640,217
Utility expenses	6	10	2,550,082	2,519,713
Employee benefits expense	5	11	10,259,533	8,838,433
Depreciation and amortization expenses	6	12	6,857,190	6,343,921
Expenses related to disposed fixed assets and assets held for sale	6	13	5,895,660	3,381,254
Other taxes	6	14	3,331,056	2,214,712
Expenses related to external services	6	15	6,391,764	6,223,432
Other expenses	6	16	162,965	729,019
Total Operational expenses		17	42,291,920	36,890,701
The result of operational activities		18	5,496,799	5,630,587

TURISM, HOTELURI, RESTAURANTE MAREA NEAGRA SA

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED AT 31 DECEMBER 2016**

(All amounts are presented in RON)

For the financial year ended at 31 December	Note	Row	(RON)	(RON)
			2016	2015
<i>Financial income</i>		19	627,569	272,003
<i>Financial expenses</i>		20	582,023	149,303
Net financial result		21	45,546	122,700
Result before taxation		22	5,542,345	5,753,287
<i>Current income tax expense</i>		23	1,116,307	1,250,391
<i>Deferred income tax expenses</i>	7	24	0	134,843
<i>Deferred income tax income</i>		25	29,269	0
Result for continuing operations		26	4,455,307	4,368,054
Other comprehensive income				
<i>Increase/(decrease) of revaluation surplus</i>		27	(5,992,486)	14,465,719
<i>Tax related to other comprehensive income</i>	7	28	(461,725)	2,539,119
Other comprehensive income after taxation		29	(6,454,211)	17,004,838
Total comprehensive income for the period		30	(1,998,905)	21,372,892
Earnings per share (RON/share)			0.0077	0.0075
Diluted earnings per share (RON/share)			0.0077	0.0075

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

ADMINISTRATOR
CHAIRMAN OF THE BOARD OF DIRECTORS
MIELU DOBRIN

PREPARED BY:
ECONOMIC DIRECTOR
RODICA UDRESCU

TURISM, HOTELURI, RESTAURANTE MAREA NEAGRA SA

**STATEMENT OF FINANCIAL POSITION
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016**

(All amounts are presented in RON)

As at 31 December	Note	Row	(RON)	(RON)
			2016	2015
Assets				
Non-current assets				
Tangible assets		1		
Freehold land and land improvements	8	2	83,615,615	95,421,151
Buildings	8	3	108,679,480	112,212,965
Plant and machinery, motor vehicles	8	4	8,449,669	8,842,623
Fixtures and fittings [Ö]	8	5	10,985,403	10,070,357
Tangible assets in progress	8	6	1,355,732	4,004,687
Intangible assets		7	0	0
Concessions, patents , licenses, trademarks , similar rights and assets		8	484,270	568,448
Other intangible assets	9	9	1,824	10,945
Intangible assets in progress		10	0	0
Trade receivables and other receivables		11	453,572	595,440
Investment property	8,10	12	16,350,751	3,337,958
Booked investments through equity		13	0	0
Financial assets	11	14	2,434,010	2,000
Deferred tax assets	7	15	941,069	941,069
Total fixed assets		16	233,751,395	236,007,643

TURISM, HOTELURI, RESTAURANTE MAREA NEAGRA SA

**STATEMENT OF FINANCIAL POSITION
FOR THE FINANCIAL YEAR ENDED AT 31 DECEMBER 2015
(All amounts are presented in RON)**

As at 31 December	Note	Row	(RON)	(RON)
			2016	2015

Current Assets				
Inventories	12	17	617,337	652,444
Financial assets	11	18	0	1,336
Current tax assets		19	0	0
Trade receivables and other receivables	13	20	6,080,021	12,949,097
Accrued expenses	14	21	923,273	42,070
Cash and cash equivalents	15	22	7,337,535	1,888,056
Non-current assets held for sale	16	23	11,007,555	4,073,434
Total Current Assets		24	25,965,721	19,606,437
Total Assets		25	259,717,116	255,614,080

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	22,542,869	21,308,421
Reserves from the application of IAS 29	18	30	16,745,901	16,745,901
Revaluation differences	18	31	107,996,624	113,989,110
Result for the period	19	32	4,455,307	4,368,054
Retained earnings except retained earnings from the adoption of IAS 29 for the first time	19	33	52,860,602	47,084,787
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 2015
(All amounts are presented in RON)

31 December	Note	Row	(RON)	(RON)
			2016	2015
<i>Other elements of equity</i>	20	35	(12,895,772)	(13,364,773)
Total Equity		36	234,750,438	233,176,407
Liabilities				
Long-term liabilities				
<i>Long-term loans</i>		37	2,400,000	0
<i>Trade payables and other liabilities, including derivatives</i>	21	38	208,539	160,415
<i>Provisions</i>	22	39	478,458	630,399
<i>Deferred tax liabilities</i>	7	40	12,960,731	13,452,357
Total Long-term liabilities		41	16,047,728	14,243,171
Current liabilities				
<i>Short-term loans</i>	21	42	3,943,232	4,872,971
<i>Trade payables and other debts, including derivatives</i>	21	43	4,603,177	3,254,003
<i>Deferred income</i>	4	44	347,699	42,687
<i>Provisions</i>	22	45	24,841	24,841
<i>Deferred tax liabilities</i>		46	0	0
Total Current liabilities		47	8,918,949	8,194,503
Total Liabilities		48	24,966,677	22,437,674
Total Equity and Liabilities		49	259,717,116	255,614,080

ADMINISTRATOR
CHAIRMAN OF THE BOARD OF DIRECTORS
MIELU DOBRIN

PREPARED BY:
ECONOMIC DIRECTOR
RODICA UDRESCU

TURISM, HOTELURI, RESTAURANTE MAREA NEAGRA SA

**STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016
(All amounts are presented in RON)**

THE SITUATION OF TOTAL EQUITY AT 31.12.2016											
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 2015	57,894,994	0	1,895,814	99,523,391	17,573,064	0	41,931,136	0	5,794,927	-10,858,900	213,754,426
Adjustments after IAS 29 implementation	0	85,945,333	41	0	0	16,745,901	0	(102,691,275)	0	0	0
Reductions in output (sales, scraping, restitution)	0	0	0	(3,448,775)	0	0	(3,513,674)	0	0	349,413	(6,613,036)
Error corrections	0	0	0	95,569	0	0	8,667,325	0	0	0	8,762,894
Loss/ Net profit for the year	0	0	0	0	3,450,963	0	(5,794,927)	0	4,368,054	280,829	2,304,919
Transfer to reserves	0	0	0	0	284,394	0	5,794,927	0	(5,794,927)	(284,394)	0
Other comprehensive income	0	0	0	0	0	0	0	0	0	0	0
Changes in the fair value of financial investments held for sale	0	0	0	0	0	0	0	0	0	0	0
Revaluation surplus	0	0	0	17,818,925	0	0	0	0	0	(2,851,721)	14,967,204
Balance at 31 December 2015	57,894,994	85,945,333	1,895,855	113,989,110	21,308,421	16,745,901	47,084,787	(102,691,275)	4,368,054	(13,364,773)	233,176,407
Following application of IAS 29 adjustments	0	0	0	0	0	0	0	0	0	0	0
Reductions in output (sales, scraping)	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
Change in fair value of financial investments held for sale	0	0	0	0	0	0	0	0	0	0	0
Revaluation surplus	0	0	0	0	0	0	0	0	0	0	0
Balance at 31 December 2016	57,894,994	85,945,333	1,895,855	107,996,624	22,542,869	16,745,901	52,860,602	(102,691,275)	4,455,307	(12,895,772)	234,750,438

The separate financial statements were approved by the Board of Directors on March 15, 2017 and were signed by the:

ADMINISTRATOR
CHAIRMAN OF THE BOARD OF DIRECTORS
MIELU DOBRIN

PREPARED BY:
ECONOMIC DIRECTOR
UDRESCU RODICA

TURISM, HOTELURI, RESTAURANTE MAREA NEAGRA S.A.

STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED AT 31 DECEMBER 2016

(All amounts are presented in RON)

Explanation	Row	2016	2015
+/- Profit or Loss	1	4,455,307	4,368,054
+ Depreciation included in cost	2	6,857,190	6,343,921
- Changes in inventories (+/-)	3	6,899,013	(3,554,047)
- Changes in receivables (+/-)	4	(5,987,873)	8,511,996
+ Variation of suppliers and Advance payments from customers(+/-)	5	1,397,298	(1,404,905)
- Variation other asset items (+/-)	6	4,074,434	30,435,713
+ Variation in other liabilities (+/-)	7	306,821	16,960,422
= Cash flow from operating activities (A)	8	8,031,042	(9,126,170)
+ Disposals of tangible non-current assets	9	10,919,946	7,260,763
- Purchase of tangible non-current assets	10	15,224,923	10,547,369
= Cash flow from investing activities (B)	11	(4,304,977)	(3,286,605)
+ Loans variation (+/-), as:			
+short-term loans receivable	12	11,950,000	12,000,000
- refunds of short-term loans	13	10,291,943	7,127,029
+medium and long term loans receivable	14	3,200,000	
-refunds of medium and long term loans	15	0	
- Dividends paid	16	3,134,644	1,953,686
= Cash flow from financial activities (C)	17	1,723,413	2,919,285
+ Cash at beginning of the period	18	1,888,056	11,381,547
+ Net Cash Flow(A+B+C)	19	5,449,478	(9,493,491)
= Cash at end of the period	20	7,337,535	1,888,056

The separate financial statements were approved by the Board of Directors on March 15, 2017 and were signed by the:

ADMINISTRATOR
CHAIRMAN OF THE BOARD OF DIRECTORS
MIELU DOBRIN

PREPARED BY:
ECONOMIC DIRECTOR
UDRESCU RODICA

TURISM, HOTELURI, RESTAURANTE MAREA NEAGRĂ SA

**NOTES TO THE SEPARATE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED AT 31 DECEMBER 2016
(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 31.12.2016:

- 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 2016 in accordance with International Financial Reporting Standards as adopted by European Union, applicable to companies whose securities are admitted to trading on a regulated market, according to the Order of the Minister of Finance no. 881/2012 regarding the application of International Financial Reporting Standards by companies whose securities are admitted to trading on a regulated market and the Order of the Minister of Finance no. 2844/2016 approving the Accounting Regulations in accordance with International Financial Reporting Standards applicable to companies whose securities are admitted to trading on a regulated market, including subsequent amendments and additions.

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, 2017.

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.

-

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 2016, 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.

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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.

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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: a) Venture capital organizations b) 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.

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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.

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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 2016	31 December 2015
EUR	4.5411	4.5245
USD	4.3033	4.1477

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

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

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

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

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

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

Impairment of tangible assets

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

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 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.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

2.3.10 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 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.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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).

2.3.11 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)

2.3.12 Activity segments

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

2.3.13 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. In the EU, this standard is pending approval.
- 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. In the EU, this standard is pending approval.
- 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. In the EU, for the approval of this standard, a schedule has not been yet determined.
- Amendments to IFRS 7 *Financial Instruments: Disclosure* issued in January 2017. In the UE they are still pending for approval.
- Proposed amendments to IFRS 10 regarding the sale or contribution of assets between an investor and its associates or joint ventures, published in September 2014 with the entry date on or after 1 January 2016. In the EU it hasn't been established a calendar for approval yet.

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.
- Amendments to IAS 15 - Revenue from contracts with customers published in April 2016, enforced in January 1, 2018. In the UE they are still pending for approval.
- Amendments to IFRS 2 - Classifications and evaluations of the deals towards payments based on share holds published in June 2016, enforced in January 1, 2018. In the UE they are still pending for approval.
- Amendments to IFRS 4 - The application of IFRS 9 *Financial instruments* correlated with IFRS 4 Insurance contracts, published in September 2014, enforced in January 1, 2018. In the UE they are still pending for approval.
- IFRIC 22 -Foreign currency Transactions and advanced considerations published in December 2016, enforced in January 1, 2018. In the UE they are still pending for approval.
- Amendments to IAS 40 - Investments property transfers published in December 2016, enforced in January 1, 2018. In the UE they are still pending for approval.

TURISM, HOTELURI, RESTAURANTE MAREA NEAGRĂ SA

**NOTES TO THE SEPARATE FINANCIAL STATEMENTS
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(All amounts are presented in RON)**

NOTE 3 - OPERATING INCOME, LESS INCOME FROM ASSET SALES

The main activity of the company is tourist accommodation services, catering and entertainment. In 2015, the company recorded next tourist traffic:

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

As can be seen, in 2016 we achieved a tourism circulation of 403,408 of day-tourist, decreasing by 5.95% compared to the one recorded in 2015 increasing by 4.50% related to the one used when budgeting the incomes and expenses for the year.

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**NOTES TO THE SEPARATE FINANCIAL STATEMENTS
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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 2016	Financial year ended as at 31 December 2015	Index 2016 / 2015 (%)
Turnover, including	34,942,411	34,183,783	102.22%
<i>Income from accommodation</i>	20,160,054	20,878,291	96.56%
<i>Income from catering</i>	10,617,463	9,659,528	109.92%
<i>Rental income</i>	1,339,102	526,661	254.26%
<i>Other income included in turnover</i>	2,825,792	3,119,304	90.59%
<i>Income from disposed fixed assets and non-current assets held for sale</i>	10,919,946	7,260,763	150.40%
<i>Other income</i>	1,926,362	1,076,741	178.91%
Total operational income	47,788,719	42,521,288	112.39%

RON

Deferred income	31 December 2016	31 December 2015
Total deferred income from operating activities	347,699	0
Investment subsidies	0	42,688
Total deferred income	347,699	42,688

TURISM, HOTELURI, RESTAURANTE MAREA NEAGRĂ SA

**NOTES TO THE SEPARATE FINANCIAL STATEMENTS
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NOTE 4 - INCOME FROM DISPOSAL OF FIXED ASSETS AND NON-CURRENT ASSETS HELD FOR SALE

RON

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

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

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

TURISM, HOTELURI, RESTAURANTE MAREA NEAGRĂ SA**NOTES TO THE SEPARATE FINANCIAL STATEMENTS
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(All amounts are presented in RON)****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 2016	Financial year ended as at 31 December 2015
Salaries	8,063,958	7,074,925
Externally contracted manpower expenses	726,478	913,950
Social security contributions	1,923,716	1,659,452
Meal vouchers expenses	271,859	104,056
Total	10,259,533	8,838,433

During the reporting period the company recorded as expenses the amount of 726,478 RON, representing salary rights due to the members of the Company Board of Directors 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 2016.

TURISM, HOTELURI, RESTAURANTE MAREA NEAGRĂ SA**NOTES TO THE SEPARATE FINANCIAL STATEMENTS
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(All amounts are presented in RON)**

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

Regarding the Human Resources in 2016, comparing to 2015 the evolution is as presented:

No.	Indicator	Number at 31.12.2016	Average number in 2016	Average number in 2015
A	Permanent staff. showing separately:	114	117	117
	a) TESA staff	38	40	41
	b) Operative staff	76	77	76
B	Seasonal staff	22	237	237
	Total staff	136	354	354

1	Administrators	6	6	5
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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. For the retirement bonuses to be paid in 2015, the company estimated a provision. Compared to 2015, in 2016 the Company managed to maintain the average number of personnel both in structure and in whole, seasonal and permanent.

TURISM, HOTELURI, RESTAURANTE MAREA NEAGRĂ SA**NOTES TO THE SEPARATE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED AT 31 DECEMBER 2016
(All amounts are presented in RON)****NOTE 6 - OPERATIONAL EXPENSES (EXCEPT EMPLOYEE BENEFITS)**

RON

No.	Operational Expenses	Financial year ended as at 31 December 2016	Financial year ended as at 31 December 2015
1	Expenses related to inventories:	6,843,670	6,640,216
2	Raw materials and consumables expenses	2,797,240	3,331,256
3	Materials in form of small inventories and packaging expenses	205,166	332,618
4	Merchandise expenses	3,841,264	2,976,342
5	Utility expenses	2,550,082	2,519,713
6	Amortization/depreciation and impairment expenses of fixed assets	6,857,190	6,343,921
7	Expenses from disposed assets and non-current assets held for sale:	5,895,660	3,381,254
8	Disposed assets and non-current assets held for sale	5,895,660	3,381,254
9	Other taxes, duties and similar expenses	3,331,056	2,214,712
10	External performance expenses	6,391,764	6,223,432
11	Other expenses	162,965	729,019
12	Provisioning expenses adjustments for assets depreciation	72,576	452,337
13	Total operational expenses (except employee benefits)	32,032,387	28,052,268

TURISM, HOTELURI, RESTAURANTE MAREA NEAGRĂ SA**NOTES TO THE SEPARATE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED AT 31 DECEMBER 2016
(All amounts are presented in RON)****NOTE 7 - CURRENT TAX AND DEFERRED TAX, EARNINGS PER SHARE**

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

No.	Explanation	Financial year ended as at 31 December 2016
		49,530,342
1	Total income. of which:	
	Non-taxable income	1,786,289
	<i>Income deferred tax asset</i>	29,269
	Taxable income	47,744,053
2	Items similar to income total. of which:	3,162,900
	<i>Sold assets revaluation differences</i>	3,053,845
	<i>2016 depreciation revaluation differences</i>	109,055
3	Total expenses. of which:	45,075,035
	<i>Non-deductible expenses</i>	1,932,478
	Income deferred tax expenses	-
4	The difference between the accounting and tax depreciation	(175,119)
5	Legal reserve	277,117
6	Taxable profit / (tax loss)	6,986,293
7	Tax profit	1,117,807
9	Tax profit due	1,116,307

TURISM, HOTELURI, RESTAURANTE MAREA NEAGRĂ SA

**NOTES TO THE SEPARATE FINANCIAL STATEMENTS
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NOTE 7 - CURRENT TAX AND DEFERRED TAX, EARNINGS PER SHARE (CONTINUED)

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

RON					
Year	Explanation	Total	Tax rate	Deferred tax assets/liabilities	Differences from previous year
2015	Temporary differences recognized in profit and loss	2,324,857	16%	370,791	134,841
	Temporary differences recognized in equity	81,759,786	16%	13,081,566	2,539,119
	Temporary differences recognized in retained earnings	5,881,681	16%	941,069	(981,738)
	Total Deferred income tax at 31.12.2015	84,077,231	16%	13,452,357	2,673,960
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	5,893,036	16%	942,886	632
	Total Deferred tax liability as at 31.12.2016	81,015,926	16%	12,962,548	(490,994)
	Total Deferred tax assets as at 31.12.2016	5,893,036	16%	942,886	632

Earnings per share

Earnings per share is calculated by dividing the net profit attributable to shareholders of the Company for the financial year 2016 amounted to **4,455,307** RON (2015: profit 4,368,054 RON) on weighted average number of ordinary shares in circulation to 578,949,939 adjusted with self-owned shares value. Diluted earnings per share is determined by adjusting net profit attributable to ordinary shareholders and the weighted average number of shares outstanding, adjusted with self-owned shares value, dilution effects of all potential ordinary shares.

TURISM, HOTELURI, RESTAURANTE MAREA NEAGRĂ SA

**NOTES TO THE SEPARATE FINANCIAL STATEMENTS
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NOTE 7 - CURRENT TAX AND DEFERRED TAX, EARNINGS PER SHARE (CONTINUED)

Profit attributable to ordinary shareholders

	RON	
	31 December 2016	31 December 2015
Profit (loss) for the period	4,455,307	4,368,054
Profit (loss) for the period attributable to ordinary shareholders	4,455,307	4,368,054
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)	0.0077	0.0075
Profit attributable to ordinary shareholders (basic)	4,455,307	4,368,054
Convertible bonds interest expenses after tax	0	0
Profit attributable to ordinary shareholders (diluted)	4,455,307	4,368,054
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)	0.0077	0.0075

TURISM, HOTELURI, RESTAURANTE MAREA NEAGRĂ SA

**NOTES TO THE SEPARATE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED AT 31 DECEMBER 2016
(All amounts are presented in RON)**

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. 2015	81,127,813	100,512,416	14,424,512	11,943,035	1,732,009	209,739,785
Acquisitions	0	10,429,613	533,022	1,538,216	14,773,529	27,274,380
VAT pro rata adjustments	0	0	0	351,294	0	351,294
Disposals of non-current assets	(44,825)	(59,000)	(1,605)	(7,109)	(12,500,851)	(12,613,390)
December 2015 operating result accruals records errata evaluator	0	6,253,617	0	0	0	6,253,617
Reevaluation	14,338,163	(4,922,379)	0	0	0	9,415,784
Balance at December 31. 2015	95,421,151	112,214,267	14,955,929	13,825,436	4,004,687	240,421,470
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
Reclassification of inventory items in fixed assets	0	0	939,987	1,219,755	0	2,159,742
Impairment losses	0	0	0	0	0	0
Disposals of non-current assets	(11,801,418)	(12,656,786)	(477,930)	(777,320)	(17,873,878)	(43,587,332)
Balance at December 31. 2016	83,619,733	111,794,977	16,415,231	16,224,177	1,355,732	229,409,850

TURISM, HOTELURI, RESTAURANTE MAREA NEAGRĂ SA

**NOTES TO THE SEPARATE FINANCIAL STATEMENTS
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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. 2015	0	1,853,338	4,228,733	2,425,221	0	8,507,292
Period amortization	0	3,113,520	1,886,178	1,331,272	0	6,330,970
Impairment losses	0	0	0	0	0	0
Amortization of non-current assets (reduction)	0	(5,544)	(1,605)	(1,415)	0	(8,564)
Adjustments as a result of operating records December 2014 errata evaluator	0	3,443,129	0	0	0	3,443,129
Amortization of revalued buildings at 31.12.2015 (cancellation)	0	(8,403,141)	0	0	0	(8,403,141)
Balance at December 31. 2014	0	1,302	6,113,306	3,755,078	0	9,869,686
Balance at January 1. 2015	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	6,680,507
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	16,323,951
Balance at January 1. 2015	81,127,813	98,659,078	10,195,779	9,517,814	1,732,009	201,232,493
Balance at December 31. 2015	95,421,151	112,212,965	8,842,623	10,070,358	4,004,687	230,551,784
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

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 31.12.2016 related assets located in its patrimony are 107,996,642.29 RON and cannot be distributed to shareholders

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

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NOTE 8 - TANGIBLE NON-CURRENT ASSETS (CONTINUED)**Pledged, mortgaged and restricted assets**

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

- Complex Hotel - Restaurant Lidia Venus and the land, Hotel Diana and the land, in favor of the Transilvania Leasing, guaranteed loan amount being 2,500,000 RON credit which must be repaid in April 2017, at 31.12.2016, all credit line being used.
- Complex Hotel - Restaurant Lidia from Venus and the land, Hotel Diana and the land, in favor of the Transilvania Leasing, guaranteed loan amount being 1,550,000 RON, credit which must be repaid in April 2017, at 31.12.2016, all credit line being used.
- Complex Hotel - Restaurant Sirena from Saturn and the land, in favor of BCR, guaranteed loan amount being 7,500,000 RON credit which must be repaid in June 2017, at 31.12.2016, all credit line being unused.
- Complex Hotel - Restaurant Balada from Saturn and the land, in favor of Unicredit Bank, guaranteed loan amount being 3,200,000 RON, credit which must be repaid in October 2020, at 31.12.2016, 5,159 RON of the credit line being unused.

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

In 2016, the Society invested 19,750,386 RON (including VAT), the main investment objectives achieved by the company being the following:

RON

No.	Investment objectives	As at 31 December 2016
1	Complex Narcis - Stage II - works interior installations (228 rooms) and exterior works - facades balconies, waterproofing, furniture, setup restaurant for breakfast	6,673,195
2	Complex Lidia - construction, furniture, TV hotel system, air conditioning	1,343,706
3	Hotel Hora - balconies maintenance, electrical system in the rooms	1,275,749

TURISM, HOTELURI, RESTAURANTE MAREA NEAGRĂ SA

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NOTE 8 - TANGIBLE NON-CURRENT ASSETS (CONTINUED)

RON

No.	Investment objectives	As at 31 December 2016
4	Hotel Balada - balconies maintenance, electrical system in the rooms	1,256,717
5	Hotel Aida - partially exterior painting , construction, electrical system in the rooms and hallways , furniture	849,894
6	Hotel Cerna - interior bathrooms construction, hone and faience in 52 bathrooms, sanitation facilities	811,019
7	Hotel Miorita- exterior works, balcony construction	662,000
8	Complex Brandusa - interior painting, interior 40 bathrooms, exterior painting for 40 balconies, furniture	469,359
9	Restaurant Cerna - expansion, setup the terrace, furniture	444,990
10	Balada and Cleopatra swimming pools - hone work, painting and pumps	326,160
11	Hotel Tosca - sanitation facilities and constuctions	125,536
12	Restaurant Aida - - sanitation facilities and electric installations	143,230
13	Bufet Narcis - setup the terrace and electric installations	128,614
14	Hotel Cleopatra - sanitation facilities, exterior painting	113,281
15	Complex Capitol - exterior paiting	101,755
16	Setup spaces for disabled people (bathrooms, rooms, ramps)	142,299
17	Equip the THR kitchens	138,537
18	IT investments (license, hardware, software) Opera hotel management software for H. Cleopatra, Complex BBB, H. Aida	243,084
19	Electrical panels, niches, electrical meter for 11 units	44,465
20	Other exterior works, waterproofing, electric installations and other investments	1,165,065
	Total investment without VAT	16,458,655
	VAT	3,291,731
	Total	19,750,386

TURISM, HOTELURI, RESTAURANTE MAREA NEAGRĂ SA**NOTES TO THE SEPARATE FINANCIAL STATEMENTS
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RON		
EXPLANATION	31 December 2016	31 December 2015
I) Book value of intangible assets:	2,250,600	2,145,722
Licenses + projects	1,660,975	1,556,097
Other intangible assets	589,625	589,625
II) Decreases (amortization):	1,764,506	1,566,329
Licenses + projects	1,176,705	987,649
Other intangible assets	587,801	578,680
III) Net book value	486,094	579,393
a) Licenses + projects	484,270	568,448
b) Other intangible assets	1,824	10,945

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

All intangible assets have defined useful life, amortization method is linear in all cases for the useful life. According to the accounting policy adopted in the 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.

TURISM, HOTELURI, RESTAURANTE MAREA NEAGRĂ SA**NOTES TO THE SEPARATE FINANCIAL STATEMENTS
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Investment properties are measured at 31.12.2016 using the fair-value model and are disclosed as follows:

RON		
Explanation	31 December 2016	31 December 2015
Complex Claudia (land+building)	1,376,054	1,336,415
Rapsodia restaurant (building)	264,658	261,253
Complex Minerva (land+building)	749,580	717,282
Complex Miorita (land+building)	7,115,782	0
Complex Semiramis (land+building)	5,788,432	0
Apollo Tennis court	4,482	4,331
Hora kindergarten building	33,799	32,303
Atelier Mecanic Saturn land	631,584	601,406
Semiramis beach buffet land	386,380	384,967
Total	16,350,751	3,337,958

Assets classified as investment properties were evaluated by independent evaluators (IPIEV Consulting) in a corporate member of ANEVAR. with certificate number 0250 - 01/01/2016. The 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.

TURISM, HOTELURI, RESTAURANTE MAREA NEAGRĂ SA

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NOTE 10 - INVESTMENT PROPERTIES (CONTINUED)

Fair value adjustments to assets classified as investment property in profit and loss account at 31.12.2016 after the evaluation from 31.12.2015 are:

RON

Explanation	31 December 2016			31 December 2015		
	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)	39,639	-	39,639	26,915	-	26,915
Rapsodia restaurant (building)	3,405	-	3,405	2,145	-	2,145
Complex Minerva (land+building)	32,298	-	32,298	13,750	(66,431)	(52,681)
Complex Miorita (land+building)	35,434	-	35,434	0	-	0
Complex Semiramis (land+building)	94,126	-	94,126	0	-	0
Apollo Tennis court land improvements	151	-	151	5,736	-	5,736
Hora kindergarten	1,496	-	1,496	303	-	303
Machine Shop Saturn - land	30,178	-	30,178	297	-	297
Semiramis beach buffet - land	1,413	-	1,413	3,630	-	3,630
Total	238,140	-	238,140	52,776	(66,431)	(13,655)

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NOTE 11 - FINANCIAL ASSETS

Securities are recognized in the financial statements in accordance with IAS 27 (reviewed in 2010). IAS 36 (reviewed in 2009). IAS 39 (reviewed in 2009) and IFRS 7 (issued in 2008). According to these 4 standards, the 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 2016			31 December 2015		
	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	0	0	0
Long-term investments	2,434,010	0	2,434,010	2,000	0	2,000
Short-term investments						
Financial assets not listed on a stock market held for trading	0	0	0	810,446	809,110	1,336
Total Short-term investments	0	0	0	810,446	809,110	1,336

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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 2016	31 December 2015
Balneoterapia Saturn S.R.L	100,000%	2,000	2,000
Transilvania Hotels&Travel SA	32.059%	2,432,010	0

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.

NOTE 12 - INVENTORIES

RON

Inventories	Book value (RON) at 31.12.2016	Balance at 31.12.2016	Adjustments for depreciation 31.12.2016	Book value (RON) at 31.12.2016
Raw materials	0	0	0	0
Materials (without price differences and VAT)	600,313	38,303	638,616	639,099
Inventories	6,108	0	6,108	5,899
Finished goods	0	0	0	0
Raw materials and consumables at third parties	3,254	0	3,254	0
Merchandise	2,931	0	2,931	2,827
Packaging materials	4,621	0	4,621	4,621
Advances for inventories acquisitions	110	0	110	0
Total	617,337	38,303	655,640	652,446

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 31.12.2016	Allowances at 31.12.2016	Net book value of receivables 31.12.2016	Net book value of receivables 31.12.2015	Variation of receivables 2015/2015 (%)
1	Trade receivables from which:	2,098,772	28,290	2,127,062	2,835,485	75.02%
	<i>Transilvania Hotels & Travel SA</i>	445,762	0	445,762	1,366,667	32.46%
2	Receivables from state budget	3,884,928	0	3,884,928	3,021,749	128.57%
3	Debtors active sales	31,585	0	31,585	7,015,746	0.45%
4	Sundry debtors	18,885	0	18,885	5,102	0.00%
5	Long term receivables	453,572	0	453,572	595,439	76.17%
6	Deferred tax assets	941,069	0	941,069	941,069	100.00%
7	Other receivables	45,851	0	45,851	71,016	64.56%
	Total	7,474,662	28,290	7,502,952	14,485,606	51.80%

The Company's receivables consist mainly of tourism services in amount of 1,900,729 RON adjusted to 28,290 RON representing an older debt related to the services offered by Rugby Club Constanta as well as state budget receivables represented by VAT to be recovered in amount of 3,848,352 RON (due to investments and purchases made).

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

RON

No	Receivables	Total at 31.12.2016	Under 30 days	30-90 days	91-180 days	181-270 days	270-365 days	>1 year
1	Trade receivables from which:	2,127,062	25,218	219,852	812,209	254,770	0	815,013
	<i>Transilvania Hotels & Travel SA</i>	445,762	3,876	5,082	436,804	0	0	0
2	Receivables from state budget	3,884,928	288,311	403,890	1,411,274	639,073	0	1,142,380
3	Debtors active sales	31,585	0	0	0	0	0	31,585
4	Sundry debtors	18,885	76	767	16,475	1,567	0	0
5	Long term receivables	453,572	0	6,000	10,000	0	0	437,572
6	Deferred tax assets	941,069	0	0	0	0	0	941,069
7	Other receivables	45,851	2,919	0	1,001	8,942	0	32,989
	TOTAL	7,502,952	316,524	630,509	2,250,959	904,352	0	3,400,608

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NOTE 14 - ACCRUED EXPENSES**RON**

Accrued expenses	31 December 2016	31 December 2015
Inventory use	881,413	0
Exploitation of mineral resources annual tax	137	137
Vignette tax	268	246
Insurance policies	41,455	41,687
Total accrued expenses	923,273	42,070

NOTE 15 - CASH AND CASH EQUIVALENTS**RON**

Explanation	31 December 2016	31 December 2015
Bank accounts in RON	7,259,983	1,847,565
Bank account in foreign currencies	74,710	20,105
Petty cash in RON	1,504	15,936
Other values	1,338	4,450
Total	7,337,535	1,888,056

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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 2016	Book value of assets disposed or disposed through reclassification in 2016	Book value of non-current assets held for sale at 31.12.2016	Book value of non-current assets held for sale in 2015	Book value of non-current assets sold in 2015	Book value of non-current assets held for sale at 31.12.2015
1	ALFA APARTMENTS	0	240,700	0	0	0	240,700
2	BETA APARTMENTS	0	245,851	0	0	0	245,851
3	COMPLEX TOSCA (HOTEL+RESTAURANT+BUFET)	2,776,973	0	2,776,973	0	0	0
4	ANCORA HOTEL	258,532	0	258,532	0	0	0
5	COMPLEX CAPITOL (HOTEL+ RESTAURANT)	483,022	0	483,022	0	0	0
6	GLORIA HOTEL	441,826	0	441,826	0	0	0
7	COMPLES MAGURA (HOTEL+ RESTAURANT)	1,493,152	0	1,493,152	0	0	0
8	RIVIERA HOTEL	464,177	0	464,177	0	0	0
9	MERCUR RESTAURANT	113,680	0	113,680	0	0	0
10	CTC LABORATORY	41,557	41,557	0	0	0	0
11	COMPLEX VENUS (HOTEL+ RESTAURANT)	1,010,910	0	1,010,910	0	0	0
12	COMPLEX NEPTUN (HOTEL+RESTAURANT)	0	20,532	0	0	0	20,532
13	RAPSODIA GARDEN	94,685	0	94,685	0	0	0
14	CT NEON	130,035	0	130,035	0	0	0
15	SERA AMBIENTARE EFORIE NORD	3,839	3,839	0	0	0	0
16	CARWASH 7 TONE EFORIE NORD	35,249	35,249	0	0	0	0
17	COMPLEX BRANDUSA (HOTEL+RESTAURANT)	759,960	759,960	0	0	0	0
	TOTAL BUILDINGS	8,107,596	1,347,688	7,266,992	0	0	507,083
1	ALFA APARTMENTS	0	1,433,659	0	0	0	1,433,659

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2	BETA APARTMENTS	0	1,368,823	0	0	0	1,368,823
3	TOSCA COMPLEX LAND (HOTEL + RESTAURANT+BUFET)	2,602,496	0	2,602,496	0	0	0
4	DUNAREA VILAGE LAND - 460MP	97,552	97,552	0	0	0	0
5	MERCUR RESTAURANT LAND	222,949	0	222,949	0	0	0
6	CTC LABORATORY LAND	25,773	25,773	0	0	0	0
7	VENUS COMPLEX LAND (HOTEL+RESTAURANT)	547,563	0	547,563	0	0	0
8	NEPTUN COMPLEX LAND (HOTEL+RESTAURANT)	0	629,336	0	0	0	629,336
9	RAPSODIA GARDEN LAND	233,022	0	233,022	0	0	0
10	SNACK BAR CARMEN LAND	0	0	39,050	0	0	39,050
11	BRANDUSA COMPLEX LAND (HOTEL+RESTAURANT)	708,796	708,796	0	0	0	0
12	COCORUL COMPLEX ENTRYWAY LAND	0	0	95,483	0	0	95,483
13	SATURN GREENHOUSE -20000 MP	0	0	0	0	3,277,238	0
	TOTAL LAND	4,438,151	4,263,939	3,740,563	0	3,277,238	3,566,351
	TOTAL NON-CURRENT ASSETS HELD FOR SALE	12,545,748	5,611,627	11,007,555	0	3,277,238	4,073,434

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

2016			2015		
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
10,817,589	(5,609,735)	5,207,854	7,223,200	(3,277,238)	3,945,962

Income from disposal of non-current assets held for sale were included on 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 2016 with tangible assets. but after evaluation resulting values were higher than the carrying amount, therefore they were reflected in books at their carried value that become the fair value.

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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, 2016 and December 31. 2015:

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

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

During 2016 the share capital has not changed, the structure of shareholders at 31.12.2016 communicated 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
Romania through A.V.A.S.	0.0893%	516,915	51,691.50
Other corporate and individuals shareholders	22.1976%	128,512,884	12,851,288.40
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 Neagr., 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 2016, 30.12.2016, the closing price of EFO was 0.0826 RON/share compared to 0.0826 RON/share at 31.12.2015.

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NOTE 18 - CAPITAL RESERVES. REVALUATION SURPLUS

RON		
Explanation	31 December 2016	31 December 2015
Revaluation surplus	107,996,624	113,989,110
Reserves	22,542,869	21,308,421
Reserves due to IAS29 application	16,745,901	16,745,901
Total reserve	147,285,394	152,043,432

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

NOTE 19 - RETAINED EARNINGS

RON				
Element name	31.12.2016	Increase	Decrease	31.12.2015
<i>Retained earnings except retained earnings from the adoption of IAS 29 for the first time</i>	52,860,602	15,668,214	21,444,029	47,084,787
Retained earnings representing non-distributed benefits	0	4,368,054	4,368,054	0
Revaluation surplus transferred to retained earnings	-10,650	10,650	8,096,457	-8,096,457
Retained earnings from correction of accounting errors from previous years	52,870,621	11,289,510	5,785,835	58,374,296
Retained earnings from adoption of IFRS	631	0	3,193,683	-3,193,052
<i>Retained earnings came following the application of IAS 29 for the first time</i>	-102,691,275	0	0	-102,691,275

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NOTE 20 - OTHER ELEMENTS OF EQUITY

RON

Other elements of equity	31 December 2016	31 December 2015
Deferred tax recognized in equity	(12,618,655)	(13,080,379)
Profit distribution to legal reserve	(277,117)	(284,394)
Total other elements of equity	(12,895,772)	(13,364,773)

NOTE 21 - LIABILITIES. OTHERS THAN DEFERRED INCOME

Short-term liabilities of the company are amounted to **8,546,409** depending on the time structure of chargeability, as:

RON

Short-term liabilities	Liabilities at 31.12.2015	Liabilities at 31.12.2016	under 30 days	30-90 days	91-180 days	181-270 days	between 270- 365 days	> 1 year
Short term loans	4,872,971	3,943,232	0	0	3,143,232	600,000	200,000	
Trade payables and other liabilities. including derivatives	3,254,003	4,603,177	4,189,227	0	117,172	59,343	237,436	0
Advances collected for orders	26,129	26,129	26,129	0	0	0	0	0
Trade payables	305,458	1,277,642	1,277,643	0	0	0	0	0
Other liabilities	2,922,416	3,299,406	2,885,455	0	117,172	59,343	237,436	0
Deferred tax payables								
Total	8,126,974	8,546,409	4,189,227	0	3,259,404	659,343	437,436	0

Short-term liabilities consist primarily of performance guarantees granted by entrepreneurs in the amount of 1,277,643 RON, wages and related contributions in the amount of 277,860RON for the month of December 2016, current profit taxes amounted to 1,040,142 RON, short-term debts amounted to 3,143,232 RON, short-term investment debt amounted to 800,000 RON.

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NOTE 21 - LIABILITIES. OTHERS THAN DEFERRED INCOME (CONTINUED)

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

Long-term liabilities	Liabilities at 31.12.2015	Liabilities at 31.12.2016	1-5 ani	> 5 ani
Long-term loans	0	2,400,000	2,400,000	0
Trade payables and other liabilities, including derivatives	160,415	208,539	208,539	0
Trade payables	0	0	0	0
Other liabilities	160,415	208,539	208,539	0
Deferred tax liabilities	13,452,357	12,960,731	12,960,731	0
Total	13,612,772	15,569,270	15,569,270	0

RON

Long-term liabilities are formed from the performance warranty given by the entrepreneurs amounted to 208,538RON and from deferred income tax and from a fraction from an investment credit amounted to 2,400,000 RON.

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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. The collective labor agreement signed for 2016 stipulates a retirement bonus of a gross salary. For the retirement bonuses to be paid in 2016. the company estimated a provision.

At December 31 2016 the Company had established the following provisions:

- Provision for litigation with Balu Eugenia, and lack of use of land for Hotel Meteor area of 481 sqm plus court costs amounted to 60,564RON,
- Provision for a fine of 8,000 RON received from ANAF, for not releasing a receipt at Bran Hotel
- 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,
- Provision of 766 RON for injury recovery due buffet break Popas Sincai

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

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

RON

Explanation	31.12.2016	Installing provisions in 2016	Cancelling provisions in 2016	31.12.2015
Provisions for litigations	478,458	40,168	192,109	630,399
Provisions for pensions	24,841	0	0	24,841
Total Provisions	503,299	40,168	192,109	655,240

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

RON

Receivables		
Related parties	2016	2015
<i>Transilvania Hotels&Travel SA</i>	445,762	1,366,667
Balneoterapia Saturn SRL	15,714	1,973
TOTAL	461,476	1,368,640

Liabilities		
Related parties	2016	2015
<i>Transilvania Hotels&Travel SA</i>	0	0
Balneoterapia Saturn SRL	920,157	0
<i>Transilvania Leasing & Credit IFN SA</i>	0	2,439
TOTAL	920,157	2,439

Sales		
Related parties	2016	2015
<i>Transilvania Hotels&Travel SA</i>	11,897,374	4,420,006
Balneoterapia Saturn SRL	382,680	439,026
TOTAL	12,280,054	4,859,032

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NOTE 23 - RELATED PARTIES TRANSACTIONS (CONTINUED)

Acquisitions		
Related parties	2016	2015
<i>Transilvania Hotels & Travel SA</i>	12,658	52,072
Balneoterapia Saturn SRL	2,071,593	2,410,718
TOTAL	2,084,251	2,462,790

Credit line balance		
Related parties	2016	2015
<i>Transilvania Leasing & Credit IFN SA</i>	3,143,232	1,500,000
TOTAL	3,143,232	1,500,000

Credit line payments		
Related parties	2016	2015
<i>Transilvania Leasing & Credit IFN SA</i>	2,791,943	4,500,000
TOTAL	2,791,943	4,500,000

Interest and fees		
Related parties	2016	2015
<i>Transilvania Leasing & Credit IFN SA</i>	80,341	72,630
TOTAL	80,341	72,630

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

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

NOTE 24 -CONTINGENT ASSETS AND CONTINGENT LIABILITIES

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

- land area of 197 square meters for Tehnic Office Eforie Nord (actual headquarters of Eforie Nord Police) ongoing litigation with Fortunescu A.;
- constructive agency PTTR Ag. Voiaj Saturn litigation with CN Posta Romana;

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

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 Neagr., 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.

TURISM, HOTELURI, RESTAURANTE MAREA NEAGRĂ SA

**NOTES TO THE SEPARATE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED AT 31 DECEMBER 2016
(All amounts are presented in RON)**

NOTE 26 - SIGNIFICANT RISK MANAGEMENT POLICY (CONTINUED)

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

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	7,337,535	7,337,535	0	0	0
Trade receivables and other receivables	13	6,080,021	941,033	3,145,311	1,993,677	0
Inventories	12	617,337		432,136	185,201	0
Other current assets		923,273	117,109	286,788	519,376	0
Non-current assets including non-current assets held for sale		244,758,950	0	0	0	244,758,950
Total assets		259,717,116	8,395,677	3,864,235	2,698,254	244,758,950
Liabilities						
Provisions	22	503,299	0	24,841		478,458
Trade payables and other payables	21	24,115,679	4,989,226	3,557,183	2,608,539	12,960,731
Deferred income (Grants)		347,699	347,699	0	0	0
Total liabilities		24,966,677	5,336,925	3,582,024	2,608,539	13,439,189
						0
Liquidity surplus in the period		234,750,439	3,058,752	282,211	89,715	231,319,761
Cumulative liquidity surplus		234,750,439	3,058,752	3,340,963	3,430,678	234,750,439

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>	2016	2015
Total liabilities (long and short term)	24,966,677	22,437,673
Cash and cash equivalents	7,337,535	1,888,056
Total equity	234,750,438	233,176,407
Net liabilities indicator	(217,121,296)	(212,626,790)

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.

TURISM, HOTELURI, RESTAURANTE MAREA NEAGRĂ SA

**NOTES TO THE SEPARATE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED AT 31 DECEMBER 2016**

(All amounts are presented in RON)
NOTE 27 - SUBSEQUENT EVENTS

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

NOTE 28 - BOARD OF DIRECTORS PROPOSAL FOR ALLOCATING NET PROFIT

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

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

The separate financial statements were approved by the Board of Directors on March 15, 2017 and were signed by:

ADMINISTRATOR

CHAIRMAN OF THE BOARD OF DIRECTORS MIELU DOBRIN

PREPARED BY: ECONOMIC DIRECTOR
RODICA UDRESCU

TURISM, HOTELURI, RESTAURANTE MAREA NEAGRĂ SA

**NOTES TO THE SEPARATE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED AT 31 DECEMBER 2016
(All amounts are presented in RON)**

TURISM, HOTELURI, RESTAURANTE MAREA NEAGRA S.A.

**CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2016**

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

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

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

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

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

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

ADMINISTRATOR
CHAIRMAN OF THE BOARD OF DIRECTORS
MIELU DOBRIN

PREPARED BY:
ECONOMIC DIRECTOR
RODICA UDRESCU

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

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

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

<i>Current tax assets</i>		16	2,972	0
As at 31 December	Note	Row	(RON)	(RON)
			2016	2015
<i>Trade receivables and other receivables</i>	13	17	6,118,303	13,098,227
<i>Accrued expenses</i>	14	18	923,873	42,367

<i>Cash and cash equivalents</i>	15	19	7,777,716	3,047,685
<i>Non-current assets held for sale</i>	16	20	11,007,555	4,073,434
Total Current Assets		21	26,447,778	20,921,315

Total Assets		22	263,357,756	260,201,539
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Equity				
<i>Share capital</i>	17	23	57,894,994	57,894,994
<i>Capital adjustment following adoption of IAS 29 for the first time</i>	17	24	85,945,333	85,945,333
<i>Share premium</i>	17	25	1,895,855	1,895,855
<i>Reserves</i>	18	26	26,451,693	24,917,245
<i>Inflated reserves application of IAS 29 for the first time</i>	18	27	16,745,901	16,745,901
<i>Revaluation differences</i>	19	28	108,045,261	114,037,747
<i>Result for the period</i>	19	29	4,399,514	4,802,150
<i>Retained earnings except retained earnings from the adoption of IAS 29 for the first time</i>	19	30	53,330,461	47,420,552
<i>Retained earnings came following the application of IAS 29 for the first time</i>	19	31	(102,691,275)	(102,691,275)
<i>Other elements of equity</i>	20	32	(12,895,836)	(13,362,778)
Total Equity		33	239,121,901	237,605,724

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

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

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

ADMINISTRATOR
CHAIRMAN OF THE BOARD OF DIRECTORS
MIELU DOBRIN

PREPARED BY:
ECONOMIC DIRECTOR
RODICA UDRESCU

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

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

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

ADMINISTRATOR
CHAIRMAN OF THE BOARD OF DIRECTORS
MIELU DOBRIN

PREPARED BY:
ECONOMIC DIRECTOR
RODICA UDRESCU

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

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

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

ADMINISTRATOR
CHAIRMAN OF THE BOARD OF DIRECTORS
MIELU DOBRIN

PREPARED BY:
ECONOMIC DIRECTOR
RODICA UDRESCU

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

NOTE 1 - REPORTING ENTITY

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

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

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

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

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

Contact details of the Group are:

Telephone: 0241752452

Fax: 0241755559

Website: www.thrmareaneagra.ro

e-mail: thrmareaneagra@yahoo.com

Unique registration code in the Trade Register: 2980547

Fiscal registration code: RO 2980547

Number of Registered business: J 13/696/1991

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

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

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

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

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

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

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

NOTE 1 - REPORTING ENTITY (CONTINUED)

The subsidiary is Balneoterapia Saturn SRL (The Subsidiary), headquartered in Mangalia, Lavrion Street, no. 29, Constanta County

The contact details of the Group are:

Telephone: 0241.752.452

Unique registration code in the Trade Register: 14271182

Number of Registered business: J 13/1910/2001

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

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

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

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

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

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

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

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

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

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

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NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

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

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

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

Presentation of Financial Statements

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

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of valuation

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

Valuation of assets and liabilities was made as:

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

Use of estimates and judgments

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

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

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

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

2.2 General aspects of applied accounting policies

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

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

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

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

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

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

2.3 Standards and interpretations available in the current period

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

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NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The Group has applied starting from 2012, the following International Financial Reporting Standards with the accounting policies adjustments for the Group:			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 1	Presentation of financial statements		
IAS 2	Inventories		Defining of the accounting process applicable to inventories in the historical cost system: evaluation (first in - first out, weighted average cost and net realizable value) and the perimeter of allowed costs.
IAS 7	Statement of Cash Flows		Analysis of cash variations, classified into three categories: cash-flows from operating activities, cash-flows from investing activities, cash-flows from financing activities.
IAS 8	Accounting policies, Changes in Accounting Estimates and Errors		Defining the classification, the information that need to be disclosed and accounting treatment of certain items in the income statement.
IAS 10	Events after the reporting period		Requirements for when events after the end of the reporting period should generate an adjustment to the financial statements: definitions, terms and conditions, particular cases (dividends).
IAS 12	Income Taxes		Definition of tax accounting processing on the period result and detailed stipulations on deferred taxes, supplemented by amendments applicable from 1 January 2013
IAS 16	Property, plant and equipment		Accounting treatments, net book value calculation and relevant principles regarding depreciation for most types of property, plant and equipment.
IAS 17	Leases		Defining lessee and lessor, accounting treatments regarding location-financing contracts and simple location contracts.
IAS 18	Revenue		Revenue recognition principles for ordinary activities from certain types of transactions and events (fair value principle, the principle of linking expenditure to income, the percentage of advancement services, asset sharing, etc.).
IAS 19	Employee benefits		Accounting principles regarding employee benefits: short and long term benefits, post-employment benefits, advantages on equity and allowances on termination of employment.

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NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3.1 Foreign currency translation

Presentation currency and functional currency

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

Transactions and balances

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

The exchange rates of major foreign currencies were:

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

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

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

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

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

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

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3.2 Property, plant and equipment

Measurement at recognition

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

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

Evaluation after recognition

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

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

Revalued amount (in addition) substitutes the acquisition cost.

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

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

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

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

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

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NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Depreciation

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

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

When registering revaluations, accumulated depreciation is eliminated.

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

Land is not depreciated.

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

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

Impairment of tangible assets

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

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

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

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Derecognition

The carrying amount of a fixed asset shall be derecognized:

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

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

Gains shall not be classified as revenue.

2.3.3 Intangible assets

Recognition and measurement

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

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

Recognition criteria:

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

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

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

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

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

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recognition of expenses

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

Evaluation after recognition

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

Amortization

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

2.3.4 Cash and cash equivalents

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

2.3.5 Trade receivables

Trade receivables are categorized as financial assets.

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

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

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3.6 Financial assets and liabilities

Classification

The Group classifies financial instruments held in the following categories:

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

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

Investments held-to-maturity

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

Loans and receivables

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

Financial assets held for sale

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

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

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recognition

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

Amortized cost measurement

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

Fair value measurement

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

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

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

Identification and measurement of impairment

Financial assets measured at amortized cost

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

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NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

Available-for-sale financial assets

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

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

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

Derecognition

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

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

2.3.7 Employee Benefits

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

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

2.3.8 Income tax

Recognition of current tax assets and liabilities

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

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

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

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

Recognition of deferred tax assets and liabilities

taxes 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 Group to the extent that it is probable to exist future taxable profits against which the losses and unused tax credits can be used.

2.3.9 Provisions

Provisions are liabilities of uncertain timing or amount.

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

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

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

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NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

2.3.10 Recognition of income

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

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

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

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

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

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

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

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NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

2.3.11 Dividend Payment

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

2.3.12 Activity segments

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

2.3.13 New international standards not applied by the Group

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

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

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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NOTE 3 - OPERATING INCOME, LESS INCOME FROM ASSET SALES

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

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

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

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

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

RON

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

RON

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

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

RON

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

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

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

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

Employee benefits expenses are presented as follows:

RON

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

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

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

Employees :

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

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

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NOTE 6 - OPERATIONAL EXPENSES (EXCEPT EMPLOYEE BENEFITS)

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

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

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

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

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

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

RON

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

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Earnings per share

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

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

Profit attributable to ordinary shareholders

	RON	
	2016	2015
Profit (loss) for the period	4,399,514	4,802,150
Profit (loss) for the period attributable to ordinary shareholders	4,399,514	4,802,150
Weighted average number of ordinary shares	578,949,939	578,949,939
Ordinary shares issued at 1 January	0	0
Effect of self-owned shares held		
Weighted average number of ordinary shares at 31 December	578,949,939	578,949,939
Earnings per share (basic)	0,0076	0,0083
Profit attributable to ordinary shareholders (basic)	4,399,514	4,802,150
Convertible bonds interest expenses after tax		0
Profit attributable to ordinary shareholders (diluted)	4,399,514	4,802,150
Weighted average number of ordinary shares (diluted)	578,949,939	578,949,939
Weighted average number of ordinary shares (basic)	578,949,939	578,949,939
Effect of conversion of convertible bonds		0
Effect of share options issued		0
Weighted average number of ordinary shares (diluted) at 31 December	578,949,939	578,949,939
Earnings per share (diluted)	0.0076	0.0083

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NOTE 8 - TANGIBLE NON-CURRENT ASSETS

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

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NOTE 8 - TANGIBLE NON-CURRENT ASSETS (CONTINUED)

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

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

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

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

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

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

NOTE 8 - TANGIBLE NON-CURRENT ASSETS (CONTINUED)

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

The Group owns:

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

Pledged, mortgaged and restricted assets

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

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

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

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NOTE 9 - INTANGIBLE ASSETS (CONTINUED)

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

RON

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

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

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

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

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

All intangible assets are pointed in their cost value.

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NOTE 10 -INVESTMENT PROPERTY

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

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

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

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

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

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

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

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NOTE 10 -INVESTMENT PROPERTY (CONTINUED)

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

RON

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

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NOTE 11 - FINANCIAL ASSETS

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

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

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

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

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

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

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NOTE 12 - INVENTORIES

RON

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

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

NOTE 13 - RECEIVABLES

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

RON

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

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

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

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

NOTE 14 - ACCRUED EXPENSES

RON

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

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NOTE 15 - CASH AND CASH EQUIVALENTS

RON

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

NOTE 16 -NON-CURRENT ASSETS HELD FOR SALE

RON

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

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

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

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

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

RON

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

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

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

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

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

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

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

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

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

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

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

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

THR Marea Neagră, S.A. shares, are listed on the second category of Bucharest Stock Exchange started from 15 august 2002, with symbol 1EFO1. In the last trading day of 2016, 30.12.2016, the closing price of EFO was 0.0826 RON/share, compared to 0.0848 RON/share at 31.12.2015.

NOTE 18 - CAPITAL RESERVES. REVALUATION DIFFERENCES

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

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

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

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NOTE 19 - RETAINED EARNINGS

RON

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

NOTE 20 - OTHER ELEMENTS OF EQUITY

RON

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

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NOTE 21 - LIABILITIES, LESS DEFERRED INCOME

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

RON

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

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

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

RON

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

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NOTE 22 - PROVISIONS

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

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

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

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

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

RON

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

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NOTE 23 - RELATED PARTIES TRANSACTION

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

RON

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

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

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

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

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

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

NOTE 23 - RELATED PARTIES TRANSACTION (CONTINUED)

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

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

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

NOTE 24 -CONTINGENT ASSETS AND CONTINGENT LIABILITIES

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

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

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

NOTE 24 -CONTINGENT ASSETS AND CONTINGENT LIABILITIES

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

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

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

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

For the difference between the amount of buildings and land tax additional established by the control body and that recognized by society, there was requested and received erratum in the evaluation reports prepared by Preciss CONSULTING SRL 31.12.2007, 31.12.2009, 31.12.2011 and 31.12.2012 specifying that the fair value of the buildings included at the time of assessments the value of installations, functional facilities or modernizations made to the buildings referred to until the time of reassessment, which leads to the conclusion that there are additional risks to society.

The Group also has an ongoing litigation with :

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

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

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

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

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

NOTE 26 - SIGNIFICANT RISK MANAGEMENT POLICY

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

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

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

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

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

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

- exchange rate risk
- interest rate risk

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NOTE 26 - SIGNIFICANT RISK MANAGEMENT POLICY

- credit risk
- liquidity risk
- operational risk

Exchange rate risk

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

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

Interest rate risk

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

Credit risk

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

Liquidity risk

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

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

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NOTE 26 - SIGNIFICANT RISK MANAGEMENT POLICY (CONTINUED)

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

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

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NOTE 26 - SIGNIFICANT RISK MANAGEMENT POLICY (CONTINUED)

Capital management

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

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

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

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

Operational risk

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

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

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NOTE 27 -SUBSEQUENT EVENTS

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

NOTE 28 - BOARD OF DIRECTORS PROPOSAL FOR ALLOCATING NET PROFIT

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

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

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

ADMINISTRATOR
CHAIRMAN OF THE BOARD OF DIRECTORS MIELU DOBRIN

PREPARED BY: ECONOMIC DIRECTOR RODICA UDRESCU

STATEMENT

The undersigned MIELU DOBRIN as Chairman of the Managing Board of S.C. T.H.R. Marea Neagra S.A. and RODICA UDRESCU as Chief Accountant of SC T.H.R. Marea Neagra SA, state that for the year 2016 :

- a) the accounting policies used for drafting the individual annual financial statement comply with the applicable accounting regulations;
- b) the individual annual financial statements reflect a true and fair presentation of the financial position, of the financial performance and the other information related to the activity performed;
- c) the legal entity has continuity of operation.

MIELU DOBRIN

Chairman of the Managing Board

RODICA UDRESCU

Chief Accountant

STATEMENT

The undersigned MIELU DOBRIN as Chairman of the Managing Board of S.C. T.H.R. Marea Neagra S.A. and RODICA UDRESCU as Chief Accountant of SC T.H.R. Marea Neagra SA, state that for the year 2016 :

- a) the accounting policies used for drafting the consolidated annual financial statement comply with the applicable accounting regulations;
- b) the consolidated annual financial statements reflect a true and fair presentation of the financial position, of the financial performance and the other information related to the activity performed;
- c) the legal entity has continuity of operation.

MIELU DOBRIN

Chairman of the Managing Board

RODICA UDRESCU

Chief Accountant

INDEPENDENT AUDITORS' REPORT

(Free translation)

To the Shareholders of

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

Qualified opinion

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

- Net profit: Lei 4,445,307
- Incomes: Lei 47,788,719
- Total assets: Lei 259,717,116

2. In our opinion, except for the effects of the matter described at point 3 in the Basis for Qualified Opinion, the separate financial statements present fairly, in all material respects, the financial position of Turism, Hoteluri, Resturante Marea Neagră SA Mangalia as at December 31, 2016, and its financial perform ance 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. 2844/2016 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.

Basis for Qualified Opinion

3. Upon the finalization of audit procedures for verification of commercial receivables, other than using the confirmation procedure, led us to the conclusion of uncertain, probably uncollectible claims, in the amount of 1,265,103 RON for which the company has not set up adjustments for depreciation, which in our opinion is not in accordance with the international financial reporting standards that calls for making adjustments for depreciation or loss value uncertainties when they are identified. Commercial receivables represent a significant component in the structure of financial position at the end of the financial year.

4. We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Romania, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Emphasis of Matter

5. Without further qualifying our opinion on the separate financial statements prepared by the Company for the financial year ended 31 December 2016, we consider necessary to present the existence of litigations

- as disclosed in Note 24 "Contingencies" may involve risks of ownership of assets, along with evidence of losses from other operating activities, as the litigation against Mangalia Tax Department and Eforie Tax Department which highlights the risk of increasing debts and additional penalties beyond the amounts recognized and assumed by the Company as at 31 December 2016 depending on evolution of the litigation.

Key audit matters

6. The key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the financial statements of the current period. These matters were addressed in the context of the audit of the financial statements as a whole, and in forming the

auditor's opinion thereon, and the auditor does not provide a separate opinion on these matters.

i. Revenue recognition

At the level of revenue recognition there are risks of material misstatements like the situations where there may not be recognized by the company's management in accordance with applicable accounting regulations. There may be risks both in terms of the amount of revenue recognized as well as the time of their recognition of possible significant material misstatements regarding the application of the principle of accrual-based accounting.

Our response to these risks of material misstatements have resulted in performing audit procedures with the purpose of: analysis of contracts, testing the revenue recognition method in accordance with the contract clause, to obtain sufficient audit evidence and adequate both in connection with the recognition of revenue, but also with accuracy assertions testing.

ii. Valuation of receivables

According to the applicable accounting regulations, requirements management achieves assertions concerning the assessment of receivables at the reporting date, presenting them at the value at which they are expected to be completed

Our response concerning the risks of material misstatement relating to the management of the company related to the valuation of such receivables at the reporting date, resulted in audit procedures whereby we tested the recognition of doubtful receivables as well as tests for the recalculation of the provisions for doubtful receivables, for those receivables whose due date had been exceeded by more than a year, i.e. claims involved in litigation. Material misstatements identified in these tests led us, moreover, to amend the opinion as a result of significant material misstatements.

iii. Valuation of tangible assets

The management's assertions regarding the valuation of tangible fixed assets can pose risks of significant material misstatements that would manifest itself in the sense of the non-provision of applicable accounting regulation to assessment in accordance with IAS 16 Tangible assets", at the time of reporting.

Our response to these risks of misstatements regarding the valuation, meant using tests by which

we observed the nature of expenditure capitalised into the cost of the upgraded asset during the year 2016. We had in mind the risks identified in accounting treatments presented by the company in the preceding financial years in connection with the refurbishment carried out on the existing tangible asset that existed at the reporting date, and we performed procedures whereby we obtained reasonable assurance that there are no significant material misstatements with respect to these assertions.

iv. Materiality threshold

Materiality threshold determined by the auditor as a result of the application of professional judgment as it is prescribed the International Standards on Auditing.

The benchmark used as a basis in determining materiality was represented by operational revenue taking into account the specifics of the industry in which the company operates. Materiality threshold calculated for the audit mission was Lei 524,000.

v. Ongoing concern

The management of the entity is responsible for the evaluation and assessment of preconditions for the continuity in the establishment of the financial statements.

Our response was the understanding of the existing risk of material misstatements in connection with the management's assertion regarding on-going concern and we analyzed aspects of developments, the budget of income and expenditure for the financial year approved for 2017, we have examined the records and the minutes of the Management Board and the General meetings of shareholders, as well as existing assumptions for tourist season for 2017.

All of this led us to the assessment that:

- Presumption of going concern in the preparation of the annual financial statements, assumed by the company's management, is adequate; and
- We have not identified any significant uncertainty that could question the company's ability to continue working, in the foreseeable future.

Other matters

7. 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 separate financial statements and the report on conformity or the opinion.

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

Management's Responsibility for the Separate Financial Statements

9. Management is responsible for the preparation and fair presentation of these separate financial statements in accordance with the 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. 2844/2016 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.

10. In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

11. Those charged with governance are responsible for overseeing the Company's financial reporting process

Auditor's Responsibility

12. Our objectives are to obtain reasonable assurance about whether the financial statements as a

whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

13. As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation. We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

14. We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards. From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

15. The management is responsible for preparing and presenting the management report in accordance with Order of the Minister of Public Finance no. 2844/2016 for approval of the Accounting Regulations in accordance with International Financial Reporting Standards applicable to companies whose securities are admitted to trading on a regulated market, chapter III, points 15 – 20, that is free from material misstatements and is also responsible for the internal control considered necessary for the preparation of the management report that is free from material misstatement due to fraud or error.

The Management Report presented at page 1 to page 31 and is not part of the separate financial statements.

Our opinion on the separate financial statements does not cover the management report.

Regarding our audit on the separate financial statements, we read the management report annexed to the separate financial statements and presented at page 1 to page 31 and we conclude that:

- a. In the management report, we did not find information that is not consistent, in all material aspects, with the information presented in the annexed separate financial statements;
- b. The management report identified above includes, in all material aspects, the information requested by Order of the Minister of Public Finance no. 2844/2016 for approval of the Accounting Regulations in accordance with International Financial Reporting Standards, chapter III, points 15-20;

- c. Based on our knowledge and understanding acquired during the audit of the separate financial statements for the financial year ended at 31 December 2016, regarding the Company and its environment, we did not identify any information contained in the management report that are significantly misstated.

Timișoara, March, 22 2017

On behalf of 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

INDEPENDENT AUDITORS' REPORT

(Free translation)

To the Shareholders of

TURISM, HOTELURI, RESTAURANTE MAREA NEAGRĂ S.A MANGALIA

1. We have audited the accompanying consolidated financial statements of Turism, Hoteluri, Restaurante Marea Neagră SA Mangalia and its subsidiary („the Group”), which comprise the statement of financial position as at December 31, 2016, and the statement of comprehensive income, statement of changes in equity, statement of cash flows and notes to consolidated financial statements for the year then ended, represented by:

- Net profit:	4,399,514 lei
- Income:	48,174,341 lei
- Total assets:	263,357,756 lei

2. In our opinion, except for the effects of the matter described at point 3 and 4 in the *Basis for Qualified Opinion*, paragraph 7, the consolidated financial statements present fairly, in all material respects, the financial position of Turism, Hoteluri, Restaurante Marea Neagră SA Mangalia as at December 31, 2016, 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. 2844/2016 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.

Basis for Qualified Opinion

3. Upon the finalization of audit procedures for verification of commercial receivables, other than using the confirmation procedure, led us to the conclusion of doubtful receivables, probably uncollectable, in the amount of 1,265,103 RON for which the group has not set up adjustments for depreciation, which in our opinion is not in accordance with the international financial reporting standards that calls for making adjustments for depreciation or loss value uncertainties when they are identified. Commercial receivables represent a significant component in the

structure of financial position at the end of the financial year.

4. 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.

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

Observations

5. Without further qualifying our opinion on the consolidated financial statements prepared by the Group for the financial year ended 31 December 2016, we consider necessary to present the existence of litigations - as disclosed in Note 24 "Contingencies" may involve risks of ownership of assets, along with evidence of losses from other operating activities, as the litigation against Mangalia Tax Department and Eforie Tax Department which highlights the risk of increasing debts and additional penalties beyond the amounts recognized and assumed by the Group as at 31 December 2016 depending on evolution of the litigation.

Key audit matters

6. The key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the financial statements of the current period. These matters were addressed in the context of the audit of the financial statements as a whole, and in forming the auditor's opinion thereon, and the auditor does not provide a separate opinion on these matters.

i) Revenue recognition

At the level of revenue recognition there are risks of material misstatements like the situations where there may not be recognized by the group's management in accordance with applicable accounting regulations. There may be risks both in terms of the amount of revenue recognized as well as the time of their recognition of possible significant material misstatements regarding the application of the principle of accrual-based accounting.

Our response to these risks of material misstatements have resulted in performing audit procedures with the purpose of: analysis of contracts, testing the revenue recognition method in accordance with the contract clause, to obtain sufficient audit evidence and adequate both in

connection with the recognition of revenue, but also with accuracy assertions testing.

ii) Valuation of receivables

According to the applicable accounting regulations, requirements management achieves assertions concerning the assessment of receivables at the reporting date, presenting them at the value at which they are expected to be completed

Our response concerning the risks of material misstatement relating to the management of the group's related to the valuation of such receivables at the reporting date, resulted in audit procedures whereby we tested the recognition of doubtful receivables as well as tests for the recalculation of the provisions for doubtful receivables, for those receivables whose due date had been exceeded by more than a year, i.e. claims involved in litigation.

Material misstatements identified in these tests led us, moreover, to amend the opinion as a result of significant material misstatements.

iii) Valuation of tangible assets

The management's assertions regarding the valuation of tangible fixed assets can pose risks of significant material misstatements that would manifest itself in the sense of the non-provision of applicable accounting regulation to assessment in accordance with IAS 16 Tangible assets", at the time of reporting.

Our response to these risks of misstatements regarding the valuation, meant using tests by which we observed the nature of expenditure capitalized into the cost of the upgraded asset during the year

2016. We had in mind the risks identified in accounting treatments presented by the group in the

preceding financial years in connection with the refurbishment carried out on the existing tangible asset that existed at the reporting date, and we performed procedures whereby we obtained reasonable assurance that there are no significant material misstatements with respect to these assertions.

iv) Materiality threshold

Materiality threshold determined by the auditor as a result of the application of professional judgement as it is prescribed the International Standards on Auditing.

The benchmark used as a basis in determining materiality was represented by operational revenue taking into account the specifics of the industry in which the group operates. Materiality threshold calculated for the audit mission was 524,000 RON.

v) *Continuity of activity*

The management of the entity is responsible for the evaluation and assessment of preconditions for the continuity in the establishment of the financial statements.

Our response was the understanding of the existing risk of material misstatements in connection with the management's assertion regarding on-going concern and we analyzed aspects of developments, the budget of income and expenditure for the financial year approved for 2017, we have examined the records and the minutes of the Management Board and the General meetings of shareholders, as well as existing assumptions for tourist season for 2017.

All of this led us to the assessment that:

- presumption of going concern in the preparation of the annual financial statements, assumed by the group's management, is adequate; and
- we have not identified any significant uncertainty that could question the Group's ability to continue working, in the foreseeable future.

Other matters

7. This independent auditor's report is addressed exclusively to the shareholders of the Group. 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 Group and its Shareholders in respect to our audit, to the report on the separate financial statements and the report on conformity or the opinion.

8. The annexed consolidated financial statements are not meant to show the financial position, the financial performance and a complete set of notes to the separate consolidated 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.

Management's Responsibility for the Separate Financial Statements

9. Management is responsible for the preparation and fair presentation of these financial statements in accordance with the 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. 2844/2016 for approval the Accounting Regulations in accordance with International Financial Reporting Standards and is also responsible for the internal control considered necessary for the preparation of the consolidated management report that is free from material misstatement due to fraud or error.

10. In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so. Those charged with governance are responsible for overseeing the Group's financial reporting process

11. Those charged with governance are responsible for supervising the financial reporting process of the Group.

Auditor's Responsibility

12. Our objectives are to obtain reasonable assurances regarding the extent to which the financial statements, taken as a whole, contain no significant material misstatements, caused by either fraud, or error, as well as the issuance of a report from the Auditor that includes our opinion. Reasonable assurance means a high level of assurance, but is not a guarantee that an audit conducted in accordance with the ISA will always detect a significant material misstatement, if it exists. Any misstatements can be caused either by fraud or by error and are considered significant if it is foreseeable, reasonably, that they, singly or in the aggregate, will influence the economic decisions of users taken on the basis of these financial statements.

13. As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation. We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit. We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards. From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communications.

Report on the Consolidated management report

14. The management is responsible for preparing and presenting the consolidated management report in accordance with Order of the Minister of Public Finance no. 2844/2016 for approval of the Accounting Regulations in accordance with International Financial Reporting Standards applicable to companies whose securities are admitted to trading on a regulated market, chapter III, Section 4, points 26 – 28, that is free from material misstatements and is also responsible for the internal control considered necessary for the preparation of the consolidated management report that is free from material misstatement due to fraud or error.

The Consolidated Management Report presented at page 1 to page 29 and is not part of the consolidated financial statements. Our opinion on the consolidated financial statements does not cover the consolidated management report.

Regarding our audit on the consolidated financial statements, we read the consolidated management report annexed to the consolidated financial statements and presented at page 1 to page 29 and we conclude that:

- a) In the consolidated management report, we did not find information that is not consistent, in all material aspects, with the information presented in the annexed consolidated financial statements;
- b) The consolidated management report identified above includes, in all material aspects, the information requested by Order of the Minister of Public Finance no. 2844/2016 for approval of the Accounting Regulations in accordance with International Financial Reporting Standards, chapter III, Section 4, points 26 - 28;
- c) Based on our knowledge and understanding acquired during the audit of the consolidated financial statements for the financial year ended at 31 December 2016, regarding the Group and its environment, we did not identify any information contained in the consolidated management report that are significantly misstated.

Timișoara, 22 March 2017

On behalf of 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