TURISM, HOTELURI, RESTAURANTE
MAREA NEAGRA S.A.
Head Office: Romania, Mangalia, Lavrion Street, No. 29, Constanța County, Phone: +40-241-752-452
Facsimil: +40-241-755-559
Registration No. Trade Register of Constanța: J13/696/1991, CIF: RO2980547,
IBAN Account: RO71 RNCB 0117 0151 6314 0001, Banca Comercială Română – Mangalia Agency
Subscribed and Paid Capital : 57.894.993,9 lei
Company managed in a dualistic system
www.thrmareaneagra.ro

Annual Report 2017

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ANNUAL REPORT

About the individual financial situations of

SC THR MAREA NEAGRA SA

Drawn up according to the Accountancy Law no. 82/1991, OMFP 2844/2016 for the approval of the accountant regulations according to the International Standards of Financial Reference, to the Law 24/2017 concerning the capital market and the ASF Regulation no. 1/2006 regarding the issuers and the security operations,

for the financial exercise ended on 31st of December 2017

Name of the commercial company: Tourism, Hotels, Marea Neagra S.A. Restaurants,

Company managed in a dualistic system

Registered Office: Lavrion Street, No. 29, Mangalia, Constanța County

Telephone Number/Facsimil: 0241-75.24.52 / 0241-75.55.59

Tax Identification Number to the Trade Register Office: 2980547

Ordinal number in the Trade Register: J13/696/1991

The regulated market whereon issued securities are traded: Stock Exchange of Bucharest

Subscribed and paid capital: 57.894.993,9 lei

Main features of the securities issued by the commercial company: nominative actions, ordinary, book-entered and indivisible with a nominal value of 0,1 lei/action.

On 8th of November 2017, The General Meeting of the Shareholders changed the managing system, from the whole, in dualistic system, appointing a Supervisory Board made by 3 members:

* Mielu Dobrin – President
* Dragoș Călin - Member
* Dănuț Florin Buzatu - Member

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All members of the Supervisory Council were chosen to the proposal of S.I.F. Majority Stockholder of Transilvania.

Along with the passing of the managing dualistic system, the Supervisoru Council a founded two committees, with the following constituents:

Audit Committee Mielu Dobrin and Florin Dănuț Buzatu

Appointment and Payment Commitee: Dragoș Călin and Florin Dănuț Buzatu.

The company adhered to a Corporate Governess Code, annually drawing up the Statement of Conformity provided by CGC.

At the date of this Report, THR Marea Neagră is unaware of the existence of agreements, agreements or family relationships between the members of the Supervisory Board and other persons for whom they have been appointed as directors.

At the time of writing, THR Marea Neagră is unaware of the existence of litigation or administrative proceedings against the Supervisory Board in relation to their activity within the issuer or regarding the person's ability to perform his duties within the issuer.

The Supervisory Board is based on the principles of corporate governance, which establish a responsible, professional and ethical attitude of the Company vis-à-vis major stakeholders. Within the Council, the Company's strategy and environmental prerequisites are explored in order to plan the development of the THR Black Sea and its performance, ensuring a rigorous formulation of the objectives. Within the Supervisory Board, the Company's Directorate provided detailed information on the financial statements of 2017.

The Supervisory Board was interested both in enhancing the Company's profitability and in maintaining its image of a solid and trustworthy partner for all employees.

The financial statements and the audit report were submitted for review to the Supervisory Board.

The Annual Report of the Board of Directors in accordance with the requirements of the capital market legislation was endorsed by the members of the Supervisory Board. The Directors' Report provides a true and fair view of the Company's results for the financial year 2017.

President of the Supervisory Board

Eng. Mielu Dobrin

Report

of the Board of Directors SC THR Marea Neagra SA

related to the individual financial situations drawn up for the year 2017

Annual report according to: The accountancy Law no. 82/1991, OMFP 2844/2016 for the approval of the Accountant Regulations according to the International Standards of Financial Report, to the Law no. 24/2017 regarding the capital market and the ASF Regulation no. 1/2006 regarding the issuers and the security operations.

For the financial exercise : **2017**

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

Company managed in dualistic system

Head Office: Lavrion Street, No. 29, Mangalia, Constanța County

Telephone number/Facsimil: 0241-75.24.52 / 0241-75.55.59

Unique Registration Code to the Trade Register Office: 2980547

Order number in the Trade Register: J13/696/1991

The regulated market on which the issued securities are traded: Stock Exchange of

Bucharest

Subscribed and paid capital: 57.894.993,9 lei

The main characteristics of the securities issued by the commercial company: nominative, ordinary, dematerialized and indivisible shares with a nominal value of 0.1 lei / share.

1. Analyzing the business of the company

1.1. a) Description of the basic activity of commercial company

The main activity of the company according to the classification is CAEN code 5510 - "Hotels" - respectively the provision of accommodation services, public catering, spa treatment and tourist entertainment.

The activity is developed through its own work points, registered and classified according to the normative acts in force, having all the operating authorizations stipulated by the legislation in force.

b) The date of company's foundation

The commercial company was founded on 5th of March 1991, having the name of S.C. Eforie S.A.

The company changed its name from Eforie S.A. in T.H.R. Marea Neagră S.A. in 2005, according to the Conclusion of the Deputy Judge at the Constanta Trade Registry Office number 10.687 / 24.01.2005, and during 2010, the company relocated its registered office in Mangalia, Str. Lavrion nr. 29, Constanța County.

In AGEA from 8th of November 2017, the management system of the company was modified in the Dualist system, the management of the company being carried out by the Supervisory Board and the Board of Directors.

c) Description of significant mergers and reorganizations

In 2017, no mergers or reorganizations took place.

d) Description of acquisitions and / or asset transfers

In 2017, the company continued its strategy of development / restructuring of the company by selling some assets from the company's patrimony, namely:

Mercur Restaurant (building and land) from Eforie Sud;

Land Hotel Sport of Eforie Nord;

Neon Thermal Plant (building) of Eforie Nord.

1.1.1. Elements of general assessment:

a) Gross profit : 2.212.932 lei ;

b) Total incomes: 39.127.626 lei (whereby adjustment and write-off provisions 69.330 lei);

c) The turnover: 34.420.176 lei

d) Export: it's not necessary

e) Total costs: 36.914.693 lei (less deferred tax and specific tax of 521.096 lei);

f) % of the held market: 12,80% of the local tourist market

g) Valid in the account: 4.439.143 lei.

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The company carries out its activity through its points of interest in the tourist resorts of national interest: Eforie Nord, Eforie Sud, Neptun, Venus and Saturn, being among the main companies in the country.

The company also has hotel units located in the market with well-established positions at the national level, some of them having the European market.

The activity has a pronounced seasonal character, determined by the period of holidays and stays on the Romanian Black Sea coast.

In order to attenuate the seasonality, the company has oriented its investment program towards the development of its own facilities for the provision of medical treatment services through the use of specific natural cure factors, currently having 4 bases of treatment within the Hora hotel complexes, Balada "," Sirena "- Saturn and" Bran-Brad-Bega "Hotel Complex in Eforie Nord, the last one being put into operation in 2012.

Operational activity generates income that results in a positive economic and financial result, able to cover all operating costs, as well as the realization of profit partly used to finance investment programs.

The concentration of the revenues achieved in a limited period of the year (June-August) involves the temporary financing of activities from attracted sources, respectively bank loans, which are reimbursed as the revenues for the financial year in progress are realized.

1.1.2. Assessment of the technical level of commercial company

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

a) The main outlets for each service and the distribution methods

In 2017, THR Marea Neagra SA exploited in direct management a number of 6,598 accommodation places and 5,525 public places, located in the tourist resorts on the Romanian Black Sea coast, in units classified as 4*, 3* and 2*.

The main products of ours are the packages of accommodation services, public catering, spa treatment, recreation (spa, swimming pools, mud baths).

An important channel of distribution is online sales through specialized sites, but also through its own sales website, the most ascending channels in recent years and with high potential for growth in the market.

Direct sales at hotel reception, especially at the end of the week, have a significant share in sales, with the company being organized to receive and solve the requests in order to cover optimally its own service capabilities.

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The tourist product of the main accommodation capacities is also distributed on the foreign market on the basis of contracts concluded with external partners.

b) The incomes structure on the main service categories:

Indicators	Achieved (lei)			Total invomes (%)			Tota turnover (%)		
	2015	2016	2017	2015	2016	2017	2015	2016	2017
Total incomes, excluding adjustment incomes	42.793.291	48.416.288	39.058.296	100,00	100,00	100,00			
The turnover, whereby:	34.183.783	34.942.411	34.420.176	79,88	72,17	88,13	100,00	100,00	100,00
- Housing	20.878.291	20.160.054	21.016.132	48,79	41,64	53,81	61,08	57,70	61,06
- Meal	9.659.528	10.617.463	10.128.015	22,57	21,93	25,93	28,26	30,39	29,42
- Rents	526.661	1.339.102	876.151	1,23	2,77	2,24	1,54	3,83	2,55
Other incomes contained in the turnover	3.119.304	2.825.792	2.399.878	7,29	5,84	6,14	9,13	8,09	6,97

The total incomes, excluding provisions for cancellation provisions, recorded by the company in the financial year 2017, amount to 39,058,296 lei and represent 80.67% of the realized 2016 year.

Within the total incomes, the turnover amounts to 34,420,176 lei, which represents 98.51% compared to the previous year (34,942,411 lei).

Turnover incomes in 2017 were made from the following activities:

-Housing;

-Public nourishment;

-Rents;

-Other incomes – additional services: treatment, parkings, swimming pools, etc.

The share in the structure of the turnover is 61.06%.

The revenues from the public alimentation constituted in 2017, 29.42% of the turnover.

The rental activity represented a small share of the turnover of 2.55%. The incomes resulted from this activity, in the amount of 876,151 lei, were below the level budgeted for 2017.

The group "Other revenues", reflected in the turnover, achieved by performing secondary activities

(treatment, parking, swimming pools) amounted to 2,399,878 lei and represents, compared to 2016, a 15.07% reduction.

New products considered and their development stage

The company has as a priority the maintenance, development and creation of new tourist

products, taking into account the current market demands for such services.

Besides its own products: packages of accommodation services, public catering, spa treatment, leisure, the company aims at developing the existing capacities as well as developing and modernizing the IT system that allows on-line reservations and other services requested by tourists. Through the tariff and contracting policy, incentive conditions were created for the tour operators, consisting of:

- facilities for families with children;

- the schedule “Inscrieri Timpurii“;

- capping up to 18% of sales commissions to agents against contract rates;

- non-delivery of public catering services by the beneficiary to them the provider granting a commission of 13%;

- granting additional (volume) discounts at the end of the season.

Special offers have been launched to boost service package sales: holiday packages (Pentecost, St. Mary), full package accommodation packages and treatments, online sales incentives (discounts for non-refundable purchases, „Best deal” offers, „Last minute” deals, discounts for reservations during certain periods, accommodation and treatment packages), conference room offers, participation in programs promoted by tourism employers' organizations („Litoralul pentru toti”, ‘Decada balneară”, „Hai la bai”, „O săptămână de refacere”).

1.1.3. Assessment of the technical-material supply activity

The technical-material supply was mainly based on the indigenous sources of raw materials and materials, with a few exceptions, respectively for investments to which we turned to import sources.

The company has implemented an integrated quality-environment-food safety management system (SR EN ISO 9011: 2008, SR EN ISO 14001: 2005 and SR EN ISO 22000: 2005) covering also the supply segment, with specific operational procedures implemented.

Acquisitions have been made from traditional suppliers, direct producers or importers, large companies with accreditation on the respective materials certified by ISO, according to European standards and standards. Suppliers are selected by a selection board based on established criteria and score, which mainly reflects the price / quality ratio.

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Regarding the security of the sources of supply, we specify that all the raw materials purchased are accompanied by certificates of conformity, warranty certificates, technical data sheets. Stocks of raw materials and materials are minimal considering the off-season.

1.1.4. Valuation of sales activity

a) Description of the sequential sales evolution on the domestic and foreign market and the prospects for medium and long term sales

The company has mainly been operating on the basis of tourism service contracts concluded with travel agencies, the National House of Public Pensions (treatment agreement), external tourism, other beneficiaries, on-line sales and for individual tourists arriving on their own. In 2017, compared to the BVC and the achievements of the previous year, the touristic circulation is as follows:

Tourist days	**CNPP**	**Agencies**	**Own account**	**Online**	**Other beneficiaries**	**TOTAL**
Realized on 31st of December 2017	128.563	189.201	11.893	20.259	32.619	382.535
BVC 2017	138.900	176.567	17.834	22.281	21.674	377.256
Differences Realized-BVC 2017	-10.337	12.634	-5.941	-2.022	10.945	5.279
Percent Realized 2017/BVC 2017	92.56%	107.16%	66.69%	90.93%	150.50%	101.40%
Realized on 31st of December 2016	135.734	187.424	14.671	21.108	23.806	382.743
Differences Realized 2017-Realized 2016	-7.171	1.777	-2.778	-849	8.813	-208
Realized Percent 2017/Realized 2016	94.72%	100.95%	81.06%	95.98%	137.02%	99.95%
Percent BVC 2017/Realized 2016	102.33%	94.21%	121.56 %	105.56%	91.04%	98.57%
Differences BVC 2017-Realized 2016	3.166	-10.857	3.163	1.173	-2.132	-5.487
Weight in structure 2017	33.61%	49.46%	3.11%	5.30%	8.53%	100,00
Weight in structure 2016	35.46%	48.97%	3.83%	5.51%	6.22%	100,00

As you can see, in the year 2017 there was a tourist traffic of 382,535 days-tourist, representing an increase compared to the budgeted indicator by 1.4% (382,535 / 377,256).

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As far as 2016, tourist days were focused in a shorter period of operation, which led to a higher occupancy rate and lower operating costs.

Thus, during the season 2017 the units were opened between 25.05 - 30.09.2017, registering an average occupancy of 67.29%, while in the season 2016 they were opened between 03.04. - 29.10.2016, registering a average employment rate of 59.15%.

From the analysis of the tourist traffic, we notice:

* The treatment agreement concluded with the National House of Public Pensions (CNPP) ensured a tourist circulation of 128,563 tourist days, in 2017, with 10,337 days less than the budget provision. This decrease is due to the fact that Eforie Nord has not been contracted. There were increases compared to 2016 at Saturn, respectively 106.83%.

* Touristic travel by travel agencies increased, compared to 2016, by 1,777 tourist days, and compared to the budget forecast, it registered a 7% increase.

* The online sales segment recorded a slight decline due to lower demand over previous years.

* The company also concluded contracts with other beneficiaries (trade unions, associations, sport federations, etc.), on the basis of which a touristic circulation of 32,619 tourists was achieved, compared to 21,674 days of tourists, which represents a 150,50% increase budgetary provisions.

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

Explanations	Treatment	Agencies	Own account	Other beneficiaries	Online	TOTAL
Number of tourists 2017	8,260	29,182	3,908	4,928	5,325	51603
Number of tourists 2016	8,258	29,613	4,773	3978	5,752	52374
Differencies 2017/2016	2	-431	-865	950	-427	-771
% 2017/2016	100.02%	98.54%	81.88%	123.88%	92.58%	98.53%
% 2017/ Partners	16.01%	56.55%	7.57%	9.55%	10.32%	100%
% 2016/ Partners	15.77%	56.54%	9.11%	7.60%	10.98%	100%

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Explanations	Treatment	Agencies	Own account	Other beneficiaires	Online	TOTAL
Medium stay 2017	15.57	6.46	3.07	6.62	3.8	7.41
Medium stay 2016	16.44	6.28	3.07	5.98	3.67	7.31
Differencies 2017/2016	-0.87	0.18	0	0.64	0.13	0.10

The analysis of the above situation showed that the average stay indicator registered a positive evolution in 2017, representing 7.41 days of average stay compared to 7.31 days of average stay in 2016, the increase being mainly performed by other beneficiaries (6.62 / 5.98).

The employment rate registered by the company was 67.18% compared to 59.15% achieved in 2016. In the coming years, we will continue to consider adapting the pricing and contracting policy to market requirements, creating incentive conditions for tour operators, granting volume discounts, facilities for families with children, early affiliation policy, cession commissions to stimulate sellers and create benefits for the sale of public catering services.

We will pay more attention to the on-line sales segment. We are considering the development of special offers meant to ensure an increase of the tourist traffic, as well as a permanent adaptation of the tourist product to the evolution of the market.

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

The company operates in an area where our main activity is our main activity, namely the provision of accommodation services, public food, recreation, the main attraction being the beach and the quality of the Black Sea bathing water as well as the curative qualities the main natural curative resources, Techirghiol sapropelic sludge, Techirghiol Lake water, sulphurous mezotermal water, sea water and marine aerosols.

The area has the highest concentration of tourist capacity, which creates a strong competitive climate. The foreign market is a particular competition with similar products, the tariff policy making the difference, identifying in this respect the Bulgarian seaside market as a competitor.

c) Description of any significant dependence of the company on a single customer or on a group of clients whose loss would have a negative impact on the company's income

The tourist products of T.H.R. Marea Neagră S.A. have a national distribution area and are available on all distribution channels (travel agencies, websites, direct sales, etc.).

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As a result, the disappearance of a partner will not significantly affect the distribution of the tourist product.

An important share is the client of the National House of Public Pensions.

Considering that the public procurement of this partner is made for public sector retirees, the non-acquisition by CNPP of these services does not cancel the consumer demand. Health care is a necessary and continuous process, the product will be placed on other distribution channels so that the consumer can get to purchase the necessary product.

Consistent with the fact that our spa treatment product is personalized, known and proven in the market, we will not face major difficulties with negative impact on revenue if one of our main partners withdraws from the market.

1.1.5. Assessment of employees / Commercial company staff

a) Regarding the human resources in 2017, compared to the year 2016 the evolution is the following:

Crt. No.	**Indicator**	**Medium No. on 31st of December 2016**	**Medium No. on 31st of December 2017**	**Number of people on 31st of December 2017**
A	Number of permanent staff, whereby:	117	109	108
1	Tesa's personnel	40	38	36
2	Operative personnel	77	71	72
B	Number of season staff	237	213	20
	Total	354	322	128
C	The leadership of the company	6	7	7

Compared to 2016, there is a decrease in the average number of staff both on the whole and in the structure, seasonal and permanent.

The situation in the dynamics of gross salaries as well as the efficiency indicator - labor productivity, is presented as follows:

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Crt. No.	Indicator	2016	2017	%
1	Gross wage expenses (lei)	7.337.480	7.646.876	104,22%
2	Medium number of employees	354	322	90,96%
3	Labour productivity (lei/employee)	98.707	107.081	108,49%
4	Gross monthly average wage (lei)	1.725,86	1.977,66	114,59%
5	Gross medium salary on the economy	2.681	3.131	116,79%
6	Gross medium salary on the economy (lei)	1250	1450	116,00%

Gross wage growth has grown by 4.22% compared to 2016, when the average number of employees decreased by 9.04%. The increase was due to the wage increases imposed by the legislation as a result of the increase of the minimum gross salary in the economy.

The efficiency of the use of commensurate human resources through labor productivity is increasing in 2017 compared to 2016 by 8.49%. Compared to the average gross salary of 3,131 lei, the gross salary registered by the company of 1977,66 lei represents 63,17%.

a) The relations between managers and employees, regulated by the Collective Agreement, are based on communication, involvement and team spirit, respecting the rules and procedures established by the ROI, job description, without conflicting elements.

1.1.6. Assessment of aspects related to the impact of the basic activity of SC THR Marea Neagra SA on the environment

The basic activity of T.H.R.Marea Neagra S.A. shall be carried out in compliance with the legislation in force regarding the environmental protection requirements, obtaining the necessary environmental permits for each type of activity and on each working point.

The company has identified all its activities that have a possible impact on the environment and has regulated them according to SR EN ISO 14001: 2005 environmental standards through its own procedures. In 2017, the company did not face disputes arising from non-compliance with legal environmental regulations.

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2. Financial and accountant situation

In 2017, T.H.R. Marea Neagră S.A. has held accounting under OMF 881/2012 and OMF 2844/2016 for the approval of accounting regulations in line with International Financial Reporting Standards. By these orders, it was stated that the companies whose securities are quoted on the regulated market, including THR Marea Neagra SA have the obligation to prepare the financial statements in accordance with the aforementioned normative acts.

Under the above-mentioned regulations, the financial statements are audited annually by Audit firm ABA Audit S.R.L on the basis of the service agreement no. 918 / 21st of April 2015.

The situation in the dynamics of the main asset positions as of 31.12.2017 compared to the similar elements from the years 2015 and 2016 is as follows:

ASSET	Value on 31st of December 2015 (lei)	Value on 31st of December 2016 (lei)	Value on 31st of December 2017 (lei)	Variation 2017/2016 (%)	Share 2017 in total of assets (%)
Intangible assets	579.393	486.094	396.452	81,56%	0,16%
Tangible assets	230.551.784	213.085.900	183.895.784	86,30%	72,87%
Real estate investments	3.337.958	16.350.751	17.191.112	105,14%	6,81%
Financial immobilizations	2.000	2.434.010	2.434.010	100,00%	0,96%
Fixed receivables (including receivables regarding the deferred tax)	1.536.509	1.394.641	1.404.650	100,72%	0,56%
TOTAL IMMOBILIZED ACTIVITIES	**236.007.642**	**233.751.395**	**205.322.008**	**87,84%**	**81,36%**

ASSET	The value on 30th of December 2015 (lei)	Value on 31st of December 2016 (lei)	Value on 31st of December 2017 (lei)	Variation 2017/2016 (%)	Share 2017 in total assets (%)
Stocks	652.446	617.337	442.128	71,62%	0,18%
Receivables	12.949.097	6.080.021	4.868.821	80,08%	1,93%
Financial assets	1.336	0	0	0,00%	0,00%
Cash availabilities	1.888.056	7.337.535	4.439.143	60,50%	1,76%
Assets classified as held for sale	4.073.434	11.007.555	36.516.013	331,74%	14,47%
Expenses registered in advance	42.070	923.273	782.016	84,70%	0,31%
TOTAL CURRENT ASSETS	19.606.437	25.965.721	47.048.119	181,19%	18,64%
TOTAL OF ASSETS	**255.614.080**	**259.717.116**	**252.370.128**	**97,17%**	**100,00%**

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Within the assets of the company the largest share is held by fixed assets (81.36%), especially land and buildings, the share of circulating assets being 18.64%. As of December 31, 2017, the fixed assets decrease by 12.16% as compared to 2016 due to the change of the destination of some tangible assets by classifying them as assets held for sale (Minerva Restaurant, Sulina, Dunarea, Pelican, Athens Complex, Saturn Saturn Tour, Saturn 3, Saturn GG, Saturn Cofetaria, Meteor Hotel, Rhapsody Garden / Restaurant.

Analyzing in the structure, tangible assets represent 72.87% of the total fixed assets. International Financial Reporting Standards (IFRS) require that assets be reclassified according to their use.

The current assets show an increase from the level achieved in the previous year, an increase due to assets held for sale classified as stocks from 11,007,555 lei in 2016 to 36,516,013 lei in 2017.

The receivables of the company consist mainly of commercial receivables represented by tourist services amounting to 2,721,244 lei which have been adjusted with the amount of 1,219,460 lei representing a one-year debts related to the services rendered to Rugby Club Constanta and Mareea Comtur SRL , as well as receivables to the state budget represented by the VAT to be recovered in the amount of 3.180.194 lei (as a result of investments and acquisitions made).

In the year 2017, passive positions had the following evolution:

LIABILITY	Value on 31st of December 2015 (lei)	Value on 31st of December 2016 (lei)	Value on 31st of December 2017 (lei)	Variation 2017/2016 (%)	Share 2017 in total liabilities (%)
Subscribed and paid capital	57.894.995	57.894.994	57.894.994		22,94%
Adjustment of share capital due to the application of IAS 29	85.945.333	85.945.333	85.945.333		34,069%
Total capital ratios whereby	1.895.855	1.895.855	1.895.855	100,00%	0,75%
Prime and merger premiums	1.895.814	1.895.814	1.895.814		0,75%
Equity capital gains arising from the application of IAS 29	41	41	41		0,00%
Total reserves whereby:	21.308.421	22.542.869	22.894.846	101,56%	9,07%
Legal reserves	4.523.314	4.800.431	4.911.078	102,30%	1,95%
Other reserves	16.785.107	17.742.438	17.983.768	101,36%	7,13%
Inflated reserves as a result of first-time application of IAS 29	16.745.901	16.745.901	16.745.901	100,00%	6,64%

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Legal reserves inflated due to the application of IAS 29	1.280.018	1.280.018	1.280.018		
Other provisions fueled by the application of IAS 29	15.465.883	15.465.883	15.465.883		
Total re-assessment differences of which:	113.989.110	107.996.624	107.511.069	99,55%	42,60%
Retained earnings except retained earnings from the adoption of IAS 29 for the first time	47.084.787	52.860.602	52.587.660	99,48%	20,84%
Originated from the correction of accounting errors from previous years	(7.114.719)	(10.650)	(768.516)		
Surplus from re-assessment reserves	58.374.296	52.870.621	53.356.176		
Originated from the transition to IFRS	(3.193.052)	0	0		
Retained earnings from the adoption of IAS 29 for the first time	(102.691.275)	(102.691.275)	(102.691.275)	100,00%	
The result of the exercise	4.368.054	4.455.307	1.691.836	37,97%	0,67%

LIABILITY	**Value on 31st of December 2015 (lei)**	**Value on 31st of December 2016 (lei)**	**Value on 31st of December 2017 (lei)**	**Variation 2017/2016 (%)**	**Share 2017 in total liabilities (%)**
Other equity items	(13.364.773)	(12.895.772)	(12.690.844)	98,41%	-5,03%
Total of equity items	233.176.408	234.750.438	231.785.375	98,740%	91,84%
Medium and long term debts	14.243.171	16.047.728	15.209.362	94,78%	6,03%
Short term debts	8.194.503	8.118.949	5.375.392	60,27%	2,13%
Medium and long term debts	22.437.674	24.166.677	20.584.754	85,18%	8,16%
TOTAL OF LIABILITIES	**255.614.081**	**259.717.116**	**252.370.130**	**97,17%**	**100,00%**

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Within the liability elements, the largest share is their own capital. (91,84%), the social capital representing 22,94 % from the total of company liabilities.

The shareholder's equity on 31st of December 2017 are made by:

-subscribed and paid share capital amounting to 57,894,994 lei, unchanged in the last 3 years;

-issue and merger premiums in the amount of 1,895,814 lei, unchanged in the last 3 years;

-legal reserves constituted within 5% of the gross profit of the company but no more than 20% of the share capital in the amount of 4,911,078 lei, with an increase compared to 2016 by 2,30%

-other reserves representing profit distributions for own financing sources in the amount of 17,983,768 lei with an increase compared to 2016 by 1,36%;

-differences from the revaluation of the company's assets in the amount of 107,511,069 lei which compared to 2016 decreased by 0.45% due to the sale of certain assets;

-the retained earnings mainly from the surplus realized from revaluation reserves amounting to 53,356,176 lei out of which 6,708,512 lei taxed and from the loss of 768,516 lei resulted from the adjustment of the accounting errors from the previous years;

-the net result of the exercise in the amount of RON 1,691,836 decreased by 37.97% compared to 2016, a decrease due to the non-fulfillment of the asset sales indicator.

We mention that the revaluations made after 01.01.2004 are recognized from the fiscal point of view as elements similar to the income as the depreciation of the tangible assets and their output from the patrimony. For these temporary differences between book value and tax, IAS 12 requires the calculation of deferred tax that diminishes the amount of equity (included in the table under other items similar to equity) and is added to liabilities.

Long-term debts consist of the good execution guarantees granted by the suppliers of services and immobilizations amounting to 39,735 lei, of the deferred income tax and of the long

- term portion of an investment loan amounting to 1.600.000 lei.

Deferred tax is not chargeable, and will be recognized as a payable liability, as depreciation or disposal of property assets.

Short-term payables consist mainly of debts to service providers and asset providers in the amount of 2,158,066 ROL, from salary debts and related contributions in the amount of 252,900 ROL corresponding to December 2017, specific tax related to the second half of the year 2017 in the amount of 146,756 lei with maturity on 25th of January 2018., from management guarantees in the amount of 198,284 lei, shareholder dividends, the period 2014-2016, in the amount of 421,192 lei, and from the short-term portion of the investment loan in the amount 800,000, contracted in 2016.

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The exercise result

The incomes and expenditures realized on the two main categories of activities, in relation to the provisions of BVC 2017 and the achievements of 2016, are as follows:

Indicators	Realized 2015	Realized 2016	Realized 2017	BVC 2017	Index 2017/ 2016	Index 2017/ BVC 2017
Total operating incomes	42.521.288	47.788.719	38.597.505	50.824.500	80,77%	75,94%
Accommodation activity	20.878.291	20.160.054	21.016.132	22.650.000	104,25%	92,79%
Public nourishment activity	9.659.528	10.617.463	10.128.015	11.400.000	95,39%	88,84%
Rental activity	526.661	1.339.102	876.151	1.300.000	65,43%	67,40%
Other incomes included in the turnover (spa treatment, parking, pool entrance, etc.)	3.119.304	2.825.792	2.399.878	2.700.000	84,93%	88,88%
Asset sales activity	7.260.763	10.919.946	1.382.160	11.000.000	12,66%	12,57%
Other incomes (immobilized production, adjustments, fines, penalties, etc.)	1.076.741	1.926.362	2.795.169	1.774.500	145,10%	157,52%
Stock exchange	0	0	0	0		-
Total operating expenses:	36.890.701	42.291.921	36.732.240	44.918.100	86,85%	81,78%
Expenditure on inventories	6.640.216	6.843.669	6.139.255	6.794.900	89,71%	90,35%
Expenditure regarding the utilities	2.519.713	2.550.082	2.260.544	2.764.000	88,65%	81,79%
Employee benefits expenditures	8.838.433	10.259.533	11.084.218	12.744.250	108,04%	86,97%
Expenses with amortization and depreciation of fixed assets	6.343.921	6.857.190	6.820.711	7.055.400	99,47%	96,67%
Expenses with ceded assets and assets held for sale	3.381.254	5.895.660	712.351	6.293.600	12,08%	11,32%
Expenditure with other taxes and fees	2.214.712	3.331.056	3.252.799	3.558.500	97,65%	91,41%
Expenditure on external benefits	6.223.432	6.391.764	5.173.292	5.707.450	80,94%	90,64%
Other expenses	729.019	162.965	1.289.070	0	791,01%	-
The operating result	5.630.587	5.496.799	1.865.265	5.906.400	33,93%	31,58%
Financial incomes	272.003	627.569	460.791	435.000	73,42%	105,93%

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Financial expenditure	149.304	582.023	113.124	250.000	19,44%	45,25%
Financial result	122.700	45.545	347.667	185.000	763,35%	187,93%
Total incomes	42.793.291	48.416.288	39.058.296	51.259.500	80,67%	76,20%
Total expenditure	37.040.004	42.873.944	36.845.364	45.168.100	85,94%	81,57%
GROSS Result	5.753.287	5.542.345	2.212.932	6.091.400	39,93%	36,33%
Current tax expenditure	1.250.391	1.116.307	0	-	-	-
Specific tax expenditure	0	0	293.512	-	-	-
Deferred tax expenditure	134.842	0	227.584	-	-	-
Deferred income tax expenditure	0	29.269	0	-	-	-
GROSS Result	**4.368.054**	**4.455.307**	**1.691.836**	**6.091.400**	**37,97%**	**27,77%**

Indicators	**Realized 2015**	**Realized 2016**	**Realized 2017**	**BVC 2017**	**Index 2017/ 2016**	**Index 2017/ BVC 2017**
Basic activity						
Operational activity						
Incomes	35.260.525	36.868.773	37.215.344	39.824.500	100,94%	93,45%
Expenditure	33.509.446	36.196.673	35.966.145	38.624.500	99,36%	93,12%
Gross income from operating activity	1.751.078	672.100	1.249.200	1.200.000	185,87%	104,10%
Financial activity						
Incomes	272.003	627.569	460.791	435.000	73,42%	105,93%
Expenditure	149.304	582.023	113.124	250.000	19,44%	45,25%
Financial gross income	122.700	45.545	347.667	185.000	763,35%	187,93%
Total incomes from the basic activity	35.532.528	37.496.342	37.676.135	40.259.500	100,48%	93,58%
Total expenditure from the basic activity	33.658.750	36.778.697	36.079.269	38.874.500	98,10%	92,81%
Gross result from the basic activity	1.873.778	717.645	1.596.867	1.385.000	222,51%	115,30%
Asset sales activity						

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Incomes	7.260.763	10.919.946	1.382.160	11.000.000	12,66%	12,57%
Expenditure	3.381.254	6.095.247	766.095	6.293.600	12,57%	12,17%
Gross profit from the asset sales	3.879.509	4.824.699	616.065	4.706.400	12,77%	13,09%
TOTAL Incomes	42.793.291	48.416.288	39.058.296	51.259.500	80,67%	76,20%
TOTAL Expenditure	37.040.004	42.873.944	36.845.364	45.168.100	85,94%	81,57%
TOTAL GROSS PROFIT	5.753.287	5.542.344	2.212.932	6.091.400	39,93%	36,33%
Income tax expense + Specific tax expense + Deferred tax expense expense - Income tax deferred income	1.385.233	1.087.037	521.096	0	47,94%	-
NET Result	4.368.054	4.455.307	1.691.836	6.091.400	37,97%	27,77%

Total incomes registered in 2017, in the amount of 39,058,296 lei (less the incomes from the provisioning cancellation in the amount of 69,330 lei) represent 76.20% of the budgeted level and 80.67% of the volume registered in the previous year 2016.

The total expenditures registered in the financial year 2017, in the amount of 36,845,364 lei, represent 81.57% of the level provided in the BVC for the period and 85.94%, compared to 2016.

According to the share of the realized revenues, in total revenues, two main categories can be identified: the basic activity of the company (strictly operational), generating revenues in 95.28% of the total and the activity of active sales, according to the strategy approved by the General Meeting of Shareholders of the company restructuring, with revenues in percent 3.54% of the total.

The total gross profit realized amounting to 2,212,932 lei shows, by activity, the following structure:

Operating activity 1.249.200 lei; 56,45 %;

Financial activity, 347.667 lei; 15,71 %;

Asset sales activity 616.065 lei; 27,84 %;

On 31st of December 2017, the company registered a gross profit of the basic activity of 1,596,867 lei, which means an increase of 122.51% over the budgetary provisions, having the structure as follows:

The gross operating income of 1,249,200 RON - with a 4.10% increase over the budget provisions;

The gross profit from the financial activity, of 347,667 lei - with an increase of 87.93% over the budgetary provisions.

Regarding the gross profit from the sale of assets, we record a value of 616,065 lei, which represents a non-implementation of this indicator by 86.91%, compared to the budgetary commitments of 4,706,400 lei. The decrease was due to the non-realization of the sales of assets. In the quantification of the Sales of Assets indicator, the largest share was the value of the Semiramis Complex, whose sale had been budgeted and did not materialize as a result of abandoning the buyer's request made by the current tenant .

Although efforts have been made to sell other assets within the restructuring strategy, the unfavorable market situation has not allowed them to materialize.

The management of the company took steps in 2017 to strictly track spending and resize.

Mainly, they consisted of:

- Managing the arrival of tourists to certain hotels and restaurants to ensure a degree of occupancy that allows them to be exploited in conditions of efficiency and for the others to ensure minimum operating terms;

- reducing the consumption of utilities and optimizing them by setting the rules of crisis consumption;

- the direct supply of units, aiming at reducing transport, storage and distribution costs.

rhythmical supply, based on a well-founded "necessity", provision of minimum stocks;

- staff's framing in proportion to income developments;

- return of goods to suppliers when closing units;

- restriction on general and administration expenditure;

- pursuing very strictly the coreland's treasury cash flows with payments, reducing the

balance of the loan account and the related interest;

- strict monitoring of state and local government and partner budgets in order to avoid

delays that may lead to the payment of possible penalties and / or fines;

- the collection of receivables, the observance of the procedure for their recovery.

Concluding, at the end of 2017, T.H.R. Marea Neagră S.A. registered a gross profit of 2,212,932 lei, and a net profit, determined after the deduction of deferred tax and of the specific amount calculated, according to the legal regulations, in the amount of 1,691,836 lei.

3. Financing the activity

During 2017, S.C. THR Marea Neagra S.A. financed its activity by using its own sources, as well as by employing two credit lines totaling 9,900,000 lei. At the end of 2017, the situation of the two credit lines is as follows:

The credit line amounting to 2,400,000 lei was reimbursed on 31st of October 2017 according to credit agreement;

The credit line amounting to 7.500.000 lei – was unused at the end of the year

Regarding the payment obligations, the company does not register outstanding debts in relation to the state budget, banking institutions and other authorities as of 31st of December 2017.

4. Tangible assets of the commercial company

4.1. The main accommodation and catering facilities of the company, which are in the touristic circuit in 2017, consist of:

Housing units:

- 2 hotels of 4*, with a total capacity of 992 housing places
- 8 hotels of 3*, with a total capacity of 3.454 housing places
- 9 hotels of 2*, with a total capacity of 2.152 housing places

Public nourishment units:

- 2 restaurants of 4*, with a total capacity of 773 places
- 6 restaurants of 3*, with a total capacity of 2.520 places
- 5 restaurants of 2*, with a total capacity of 1.468 places
- 2 day bars of 4* with a total capacity of 120 places
- 9 day bars of 3* with a total capacity of 464 places
- 1 day bar of 2* with a total capacity of 60 places
- 2 buffets of 1* with a total capacity of 120 places

Recreational units:

- 3 aqua parks, with a total capacity of 850 places

Spa treatment units:

- 4 treatment bases: Complex Bran-Brad-Bega, Hora, Balada and Sirena with a total capacity of 5,350 procedures per day.

In total, the company had in the tourist circuit in 2017 6,598 accommodation places and 5,525 public catering places, the distribution by resorts being presented below:

Class. Categ.	Eforie Nord		Eforie Sud		Venus		Saturn		General Total	
Hotels	units	cap	units	cap	units	cap	units	cap	units	places
****	1	438	0	0	0	0	1	554	2	992
***	0	0	0	0	2	512	6	2.946	8	3.454
**	3	502	2	444	0	0	4	1.206	9	2.152
Housing Total	4	940	2	444	2	512	11	4.706	22	6.598

Class. Categ.	Eforie Nord		Eforie Sud		Venus		Saturn		Total general	
	units	cap	units	cap	units	cap	units	cap	units	cap
Restaurants										
****	1	219	0	0	0	0	1	554	2	773
***	0	0	0	0	1	220	5	2.300	6	2.520
**	1	226	1	224	1	264	2	754	5	1.468
Total	2	445	1	224	2	484	8	3.608	13	4.761

Class. Categ.	Eforie Nord		Eforie Sud		Venus		Saturn		Total general	
	units	cap	units	cap	units	cap	units	cap	units	places
Bars										
****	1	80	0	0	0	0	1	40	2	120
***	0	0	0	0	2	134	7	330	9	464
**	1	60	0	0	0	0	0	0	1	60

Day bars total	2	140	0	0	2	134	8	370	12	644
Buffets										
*	0	0	1	30	0	0	1	90	2	120
Buffets total	0	0	1	30	0	0	1	90	2	120
Public nourishment total	4	585	2	254	4	618	17	4.068	27	5.525

4.2 Describe and analyze the degree of wear and tear of the properties of commercial companies

The company's assets are more than 45 years old, generally built between 1968 and 1972. The assets in the tourist circuit have classification certificates and legal authorizations, fulfilling the legal requirements for the respective comfort category.

Some of the assets have been upgraded in the last 10 years, with a degree of comfort from one or two stars to three and four stars. The works performed were of a large scale, including consolidations, so that they have a wear degree lower than their age.

A particularity of the activity is the existence in the patrimony of nonfunctional productive and auxiliary units and others with partial functioning, which strike the basic activity and the economic result, given the investment necessity and the acute lack of funds, the low market of the real estate market and implicitly the reduced possibility to capitalize the assets approved for sale through the company strategy.

These assets generate both fixed and variable expenses necessary for the preservation, the fixed expenses related to the taxes and taxes, being amended by the Law no.227 / 2015 regarding the Tax Code with applicability starting with 1st of January 2017.

To optimize these costs, it has been provided for the partial operation of some assets wherever possible, in order to reduce the volume of recorded losses.

5. Assessment of investment and development activity

The company is constantly searching for solutions to reduce costs, but also to attract new customers. The company has implemented alternative solutions for the production of hot water for the preparation of domestic hot water with solar energy, the solution being expanding. At the same time,

given the fact that the local administration has completed the investment of the gas supply of the resorts, the company is considering the connection of the thermal power stations and the food blocks to the gas network, with a positive impact on the environment and the efficient use of the financial resources.

The company has also completed the implementation of the integrated IT system for all accommodation units and public catering that it owns with the IT systems of the main partners (National House of Public Pensions, Tour Operator Agencies) so that it can be obtained in real time information on the valorisation of tourist packages and their re-allocation according to requests as well as the reconfiguration of the tariff and sales policy.

In 2017, the company made significant investments amounting to 4,424,384 lei(including VAT), presented in the following table:

Crt No	The investment objective	Value
1	Rehabilitation and execution of ventilation and air-conditioning installations, ventilation and air-conditioning systems, painting, electrical and sanitary installations Hotel Cleopatra	980.510
2	Exterior paintings, sanitary and electrical installations R Brad, H Lidia, H Athens, H Cerna, H Mures, H Prahova, H Siret, H Capitol, R Balada, Balada pool, R Venus, R Lidia, R Bega, R Siret, R Sirena, R Prahova, H Raluca, R Aida, H Hora, H Vraja Marii	549.085
3	Installation 114 pieces entrance doors, 3250 sq m carpet installation, door finishing works, electrical and sanitary installations Hotel Balada	375.116
4	Construction works, waterproofing and other works R Cleopatra, BBB pool, R. Orion, R Narcissus, Cleopatra cat, CT Vraja Marii, R.Capitol, H Gloria, GG Jupiter	296.170
5	Exterior painting, Sanitary facilities Cerna Restaurant	254.778
6	Rehabilitation of air conditioning, electrical installations, sanitary Sirena Hotel	227.050
7	Rehabilitation works sanitary, electrical, sanitary works Aida Hotel	214.269
8	Ventilation and air conditioning systems, outdoor painting works, sanitary facilities Bran Hotel	198.736
9	Ventilation and air conditioning systems, exterior painting, sanitary installations Brad Hotel	191.162
10	Ventilation and air conditioning systems, exterior painting, sanitary installations	183.812

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	Bega Hotel	
11	Waterproofing and other waterproofing work Diana Hotel	146.246
12	Rehabilitation works for sanitary groups Tosca Hotel	113.049
13	Rehabilitation works 8 sanitary groups and other works Venus Hotel	94.176
14	Exterior painting and electrical installations H Magura, Ef.Sud Cold Baths, Narcisa Buffet, Saturn Laundry	86.803
15	Authorization of ISU R Lidia, H Lidia, R Sirena, R Balada, R Hora, R Narcis, H Sirena, H Narcis, H Hora, R Cleopatra, H Cleopatra, H Balada, R Brad, H Brad, H Bega, H Bran, R Bega, R Capitol, H Capitol and Plan fire intervention complex Narcis	55.302
16	Exterior Painting R Magura, R Minerva, R Sulina, R Danube, CP 3, Saturn Coffetarie, Raluca Pool	36.811
17	Implementation Clarvision Economic Management System (program, server)	14.622
18	Clearing places play Cleopatra and Ballada Pool	10.622
19	Various Endowments	10.329
	INVESTMENT TOTAL without VAT	4.038.646
	VAT	385.738
	INVESTMENT TOTAL without VAT	**4.424.384**

For the investment financing sources were used to finance the investments:

Explanations	Value (lei)
Cash-flow generated by the sale of assets with full payment / rates (with VAT) after the tax on profit	1.515.619
Development fund	241.300
Sources of financing on the previous year	11.000.000
Payment	6.897.701

Head Office: Romania, Mangalia, Lavrion Street, No. 29, Constanța County, Phone: +40-241-752-452
Facsimil: +40-241-755-559
Registration No. Trade Register of Constanța: J13/696/1991, CIF: RO2980547,
IBAN Account: RO71 RNCB 0117 0151 6314 0001, Banca Comercială Română – Mangalia Agency
Subscribed and Paid Capital : 57.894.993,9 lei
Company managed in a dualistic system
www.thrmareaneagra.ro

Explanations	Value (lei)
Own sources of financing	19.654.620
Repayment rates + interest rate credit investments	-883.400
Return of good execution guarantees	-52.000
Dividends	-3.936.960
Total founding sources	14.782.260

The share of the contribution in the financing of the investments was represented by the own sources, resulting from the performed activity.

6. Specifying potential issues related to ownership of the company's tangible assets.

Disputes concerning the ownership of the buildings belonging to S.C. T.H.R. Marea Neagra S.A.

* PTTR Agency Travel Saturn Travel Agent, in contradiction with CN Romanian Poste.

7. Market of securities issued by the company

7.1. Specification of the markets in Romania and other countries where the securities issued by the trading company are negotiated.

It is a publicly owned company, according to the terminology provided by Law 24/2017 on the capital market, being registered with the National Securities Commission - Securities Evidence Office.

T.H.R. Black Sea S.A. are listed in the 2nd category of the Bucharest Stock Exchange starting August 15, 2002, with the symbol "EFO". On the last trading day of 2017 and 30.12.2017 respectively, at the closing of the Stock Exchange, the shares of THR Marea Neagra SA were quoted at a value of 0.098 lei / share, compared to 0.0826 lei / share on 30.12.2016.

7.2. Description of the company's policy on dividends. Specification of the dividends due / paid / accumulated over the last 3 years and, if applicable, the reasons for the possible diminishing of dividends over the last 3 years.

For the year 2014, the General Meeting of the Shareholders decided the distribution of the profit for the constitution of legal reserves, own sources of financing and dividends amounting to 2.026.325 lei.

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For the year 2015, the General Meeting of the Shareholders decided the distribution of the profit for the constitution of legal reserves, own sources of financing and dividends amounting to 3,137,436 lei.

For the year 2016, the General Meeting of the Shareholders decided to allocate the profit for the constitution of legal reserves, own sources of financing and dividends amounting to 3,936,860 lei.

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

The company did not acquire its own shares in 2017.

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

The Company holds shares in the share capital of other entities as follows:

-100% of the share capital of S.C.Balneoterapia S.R.L.

-32,059% of the share capital of S.C. Transilvania Hotels & Travel.

7.5. If the company has issued bonds and / or other debt instruments, the disclosure of how the company fulfills its obligations towards the holders of such securities.

The company did not issue bonds in 2017.

8. Management of commercial company

8.1. Until 8th of November 2017, the company was managed in a unitary system, the management being assured by the Board of Directors made up of:

* Mielu Dobrin – President
* Dragos Calin - Member
* Titus Prescure - Member
* Dorinel Cazacu - Member
* Nicolae Butoi - Member

On 08.11.2017, the General Meeting of Shareholders changed the management system from unitary to dualist system, appointing a Supervisory Board consisting of 3 members:

* Mielu Dobrin - President
* Dragoș Calin - member
* Danut Florin Buzatu - member

All members of the Supervisory Board were elected at the proposal of the majority shareholder S.I.F. Transylvania. Until 8th of November 2017, the Board of Directors convened periodically in sessions, according to the provisions of Law 31/1990 republished and in accordance with the provisions of the Constitutive Act.

The Board of Directors has monitored the operational and financial performance of executive management through its established performance indicators and criteria and other approved programs. All efforts of the Board of Directors were aimed at fulfilling the company's mission to provide quality services with the help of qualified staff. Also, the priority objective is to develop the technical-material basis, to rehabilitate and modernize the existing one, through a coherent and consistent investment program, in the context of a real environmental protection.

The Board of Directors has pursued the program of activity proposed for 2017, the execution of the monthly and annual income and expenditure budget and the approved investment and repair program.

The anticipation and organizational effort of the Board of Directors has resulted in future company development programs, marketing programs, computerization programs, personnel promotion and recruitment programs and increasing the quality of the tourism product, procedures systems for the main activities of the company and reconsidering its organizational structure.

b) any agreement, understanding or family relationship between that manager and another person for whom that person has been appointed manager;

It's not necessary.

c) the attendance of the members of Supervisory Board in the capital of the commercial company;

Mister. Mielu Dobrin, chairman of the Supervisory Board, holds 406,759 shares issued by the company.

d) List of persons affiliated to the commercial companies

Persons affiliated to THR Marea Neagra SA company are:

-S.I.F. Transilvania S.A., company that has 77,71 % from the actions issued by T.H.R. Marea Neagra S.A.;

-Saturn S.R.L. Balneotherapy, company whereat S.C. T.H.R. Marea Neagra S.A. has 100% from the issued social parties;

Transilvania Hotels & TravelS.A., company whereat T.H.R. Marea Neagra S.A. has 32,059% from its social capital.

8.2. Presentation of the list of members of the executive management of the commercial company.

Until 8th of November 2017, the management of the company was insured by Mrs. Moșoiu Georgiana Narcisa-General Manager based on the mandate contract concluded according to the provisions of Law 31/1990 on commercial companies.

From 8th of November 2017, the Supervisory Board appointed the Company's Directorate with the following composition:

Moșoiu Georgiana Narcisa - Presedinte Directorat /Director General
Cazacu Dorinel – Member of the Board
Pârcălabu Doina Domnica – Member of the Board of Directors / Commercial - Financial Manager

a) the duration of the term of office given to the members of the Board of Directors

The members of the Board of Directors concluded a contract with the company according to the provisions of Law 31/1990 on commercial companies, contract expiring on 9th of

November 2018.

b) any agreement, understanding or family relationship between the members of the Executive Board and another person for whom they have been appointed to that position;

It's not necessary.

c) attendance of the respective person in the capital of the commercial company.

Mrs. Narcisa Georgiana Moșoiu owns 1,500 shares issued by the company.

8.3. For all persons listed on 8.1. and 8.2. specifying possible litigation or administrative procedures in which they have been involved in the past 5 years regarding their activity within the issuer, as well as those regarding the person's ability to perform his duties within the issuer.

It's not necessary.

9. Assessing the business of the company on risk management

9.1. The management of the company has ensured and ensured a prudent management of liquidity risk, always pursuing sufficient cash insurance so as to cope with the payment in due time.

The specific nature of the activity, determines the exposure of the company to a variety of risks with a general character but also risks specific to the activity and the financial market on which it operates. Risk

is defined as the possibility of recording unfavorable deviations in results against an expected level due to random fluctuations. Significant risks are the risks with a significant impact on the patrimonial and / or reputation situation of the company.

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

In the activity carried out, the company may face uncontrollable risks, which are generally associated with external factors such as macroeconomic conditions, legislative changes, changes related to the competitive environment, etc. However, as a rule, the company faces controllable risks, for which active policies and procedures (analysis, monitoring and control) are adopted. These risks are associated with internal factors such as the nature of the activity carried out, the complexity of the organizational structure, the quality of the staff, etc.

The main risks to which the company is exposed, are:

-credit risk

-risk of liquidation

-operational risk

-Interest rate risk

Company's operating cash flows are affected by interest rate variations, mainly for credit lines contracted according to the ROBOR rate. In recent years, the ROBOR benchmark had a relatively constant trend, which makes this risk to be reduced.

Credit risk

Credit risk is the risk of loss or non-performance of estimated profits as a result of non-fulfillment of financial obligations.

Liquidity risk

Liquidity is the ability of a company to provide the necessary funds to meet all its direct and indirect payment obligations at a reasonable price at any time. The liquidity risk is the actual or potential risk that the profits and capital of the company could be subject to because of its impossibility to meet its payment obligations at the time of maturity.

The company has always sought to ensure a balance between its sources of financing and its short-term needs, so it has always had liquidity to meet its financial obligations.

The company prepares monthly cash-flow forecasts for periods ranging from 6 months to one year, so it can detect a possible lack of liquidity on time and take action accordingly.

Operational risk

Operational risk is defined as the risk of loss or non-realization of estimated profits due to internal factors such as inadequate performance of internal activities, the existence of inadequate personnel or systems, or due to external factors such as economic conditions, changes on the capital market, technological advances. Operational risk is inherent to all the Company's activities.

Policies adopted by the company for the prevention and management of operational risk, which may have a direct, negative impact on the exploitation activity (the base), have taken into account each type of event that can generate such risks.

9.2. Perspectives on the business activity of the company

One of the products with high potential for growth in the future is spa tourism.

Company units are located in resorts with natural cure factors.

The company has identified this opportunity and obtained licenses to exploit these natural resources, expanding the capacity of treatment bases so that we can cope with the demand for such services.

This segment of the spa tourism will ensure the reduction of the tourist seasonality effects and will help us to attract tourists from abroad, especially from the European area.

European Directive no. 24/2011 sets the rights of patients in cross-border healthcare, providing the legal framework to guarantee the rights of European citizens to receive healthcare in all EU countries. One of the main concerns of the company is to attract this segment of tourists.

Another development direction is leisure tourism, which is a priority for the company, with the designing of the environment, including the development of recreational facilities.

A major concern of the company is the expansion of distribution channels.

The company is in a continuous search for new clients, and the consolidation of the market relations with the current customers.

10. Corporate Governance

The Board of Directors met regularly in meetings, according to the provisions of Law 31/1990 republished and whenever necessary, its attributions being stipulated in the Articles of Incorporation.

The Board of Directors has monitored the operational and financial performance of executive management through performance indicators and criteria set in the Income and Expenditure Budget and other approved programs.

During 2017 the activity of the Board of Directors was focused on the achievement of the object of activity of the company according to the decisions of the General Government, the legal provisions and the provisions of the Constitutive Act.

One of the constant concerns of Board members was the increase in sales through the development of the sales department, the identification of new clients and the loyalty of the traditional customers. Also, the promotion of tourism products policy has been improved by launching special offers and customized offers for specific tourist categories.

Also, the Board of Directors was concerned with asset sales, approving the minimum prices and conditions for the sale of these assets. The company has actively searched for potential clients, organized public auctions, and advertised for such transactions.

Company litigations are systematically monitored by the administration, so that each meeting of the council had at least one point on the agenda of the company's main litigation.

The Board of Directors analyzed the options the company has in these cases and, where appropriate, hired law firms specialized in such litigation.

With the transition to the dual system of administration, the Supervisory Board set up two committees with the following structure:

Audit committee Mielu Dobrin and Dlorin Dănuț Buzatu

Nomination and remuneration committee: Dragoș Călin și Florin Dănuț Buzatu.

The attributions of the Board of Directors are clearly established and are stipulated in the mandate agreements concluded with the company.

An internal control system has been implemented within the company, with working procedures established for the main activities. Internal control is ensured at all levels, within the company there is an Internal Financial Control and Management Office.

The internal audit activity is provided by S.C. Romar-CO Audit SRL, and starting with 8th of January 2017 the internal audit is directly subordinated to the Company's Directorate.

The Company has adhered to a Corporate Governance Code, annually drawing up the CGC Declaration of Compliance.

The financial and accounting reports of the company are sent to the tax authorities

market organizations, at the time stipulated by the law.

The Company records on 31st of December 2017 a share capital of 57,894,993.90 lei, subscribed and paid-up share capital, representing 578,949,939 nominative, ordinary, dematerialized and indivisible shares with a nominal value of 0.1 lei / share.

The Company respects the provisions of Article 10 of Law 31/1990 on commercial companies, regarding the minimum level of share capital for joint-stock companies.

All shares may be freely traded on the Bucharest Stock Exchange without any limitations on the holding of securities, the need to obtain the approval of the issuer or other securities holders.

During 2017, the subscribed and paid-up share capital did not change, the structure of the shareholders on 31st of December 2017 taken from the BVB site is the following:

Shareholders	Percent	Number of shares	Capital value (lei)
SIF Transilvania S.A.	77,7131%	449.920.140	44.992.014,00
Others (legal and physical persons)	22,2869%	129.029.799	12.902.979,90
TOTAL	**100,00%**	**578.949.939**	**57.894.993,90**

The Company does not have employee share schemes and there are no restrictions on voting rights. Nor is it aware of agreements between shareholders that may result in restrictions on the transfer of securities and / or voting rights.

The appointment or replacement of the members of the management of the company, as well as the modification of the constitutive acts are made according to the legal provisions, without the company having special rules in this respect. Until now, the proposals of members of the Supervisory Board have been made by the majority shareholder, the appointment being decided by the General Meeting of Shareholders. The Chairman of the Supervisory Board is elected by voting by the members of the Supervisory Board.

The meetings of the general shareholders meetings are as follows:

- the list of shareholders' shares, the social capital that each of them represents and the observance of the legal requirements and the provisions of the Articles of Incorporation for the holding of the general meeting;

- the items on the convocation's agenda are presented and submitted to the vote;

- AGA decisions are made by open vote, except for the appointment of the members of the Supervisory Board and the financial auditor for whom the secret vote is mandatory;

- the result of votes is verified and recorded in the minutes of the hearing.

Shareholders have non-property rights (right to participate in shareholders' general meetings, voting rights, information rights) and patrimonial rights (right to dividends and the right to alienate shares).

11. Conclusions and proposal for distribution of company profit

In 2017, the company carried out its activity in accordance with the provisions of the Articles of Incorporation, of the decisions of A.G.A., of B.V.C., in compliance with the legislation in force regarding the organization and reflection in the accounting of the specific activity, as well as of the capital market regulations.

At the end of 2017, the Company registers:

-a recovered loss of 768,515.72 lei resulted from the correction of the accounting errors (10,650 lei representing the registration in 2016 of some expenses related to the services rendered by Man-Co SRL in 2015, 793,063 lei representing the amount of projects elaborated in order to modernize the material base , not yet in operation until this date, expenses related to the 2009-2012 period), which the directorate proposes to cover from "The reported result representing the surplus from the revaluation reserves (account 1175);

-a net profit of 1.691.836 lei.

The Board of Directors proposes the next distribution of profit as at 31st of December 2017:

To the legal reserve according to art. 183 of Law 31/1990 of the commercial

companies, republished	110.647,00 lei
Distribution to other reserves	741.711,59 lei
Distribution of dividends to shareholders	839.477,41 lei

GENERAL MANAGER/EXECUTIVE PRESIDENT
Narcisa Moșoiu

ADMINISTRATIVE MANAGER/VICE-PRESIDENT OF THE BOARD OF DIRECTORS
Dorinel Cazacu

HUMAN RESOURCES MANAGER/MEMBER OF THE BOARD OF DIRECTORS
Doina Pârcălabu

****

The undersigned, Vig Corina-Luiza, interpret and translator authorized for the foreign languages English and French, under license no. 32809 awarded by the Romanian Ministry of Justice on 27.10.2011, do hereby certify that the foregoing is a true and correct ENGLISH translation of the original ROMANIAN document, that the text shown to me has been translated with no omissions and that, through translation, the content and meaning of the document have not been corrupted.

INTERPRETER AND TRANSLATOR AUTHORIZED,

VIG CORINA-LUIZA

ANNUAL REPORT

About the consolidated financial situations of

SC THR MAREA NEAGRA SA

Drawn up according to the Accountancy Law no. 82/1991, OMFP 2844/2016 for the approval of the accountant regulations according to the International Standards of Financial Reference, to the Law 24/2017 concerning the capital market and the ASF Regulation no. 1/2006 regarding the issuers and the security operations,

for the consolidated exercise ended on 31st of December 2017

Name of the commercial company: Tourism, Hotels, Marea Neagra S.A. Restaurants,

Company managed in a dualistic system

Registered Office: Lavrion Street, No. 29, Mangalia, Constanța County

Telephone Number/Facsimil: 0241-75.24.52 / 0241-75.55.59

Tax Identification Number to the Trade Register Office: 2980547

Ordinal number in the Trade Register: J13/696/1991

The regulated market whereon issued securities are traded: Stock Exchange of Bucharest

Subscribed and paid capital: 57.894.993,9 lei

Main features of the securities issued by the commercial company: nominative actions, ordinary, book-entered and indivisible with a nominal value of 0,1 lei/action.

Name of the commercial company: Saturn S.R.L. Balneotherapy – branch

Registered Office: Lavrion Street, No. 29, Mangalia, Constanța County

Telephone Number/Facsimil: 0241-75.24.52 / 0241-75.55.59

Tax Identification Number to the Trade Register Office: 2980547

Ordinal number in the Trade Register: J13/696/1991

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IBAN Account: RO71 RNCB 0117 0151 6314 0001, Banca Comercială Română – Mangalia Agency
Subscribed and Paid Capital : 57.894.993,9 lei
Company managed in a dualistic system
www.thrmareaneagra.ro

The shares of the company are not traded on a regulated market registered by the shareholders by the administrators with the help of the Shareholders' Register.

On 8th of November 2017, The General Meeting of the Shareholders changed the managing system, from the whole, in dualistic system, appointing a Supervisory Board made by 3 members:

* Mielu Dobrin – President
* Dragoș Călin - Member
* Dănuț Florin Buzatu - Member

All members of the Supervisory Council were chosen to the proposal of S.I.F. Majority

Stockholder of Transilvania.

Along with the passing of the managing dualistic system, the Supervisoru Council a

founded two committees, with the following constituents:

Audit Committee Mielu Dobrin and Florin Dănuț Buzatu

Appointment and Payment Commitee: Dragoș Călin and Florin Dănuț Buzatu.

The company adhered to a Corporate Governess Code, annually drawing up the Statement of Conformity provided by CGC.

At the date of this Report, THR Marea Neagră is unaware of the existence of agreements, agreements or family relationships between the members of the Supervisory Board and other persons for whom they have been appointed as directors.

At the time of writing, THR Marea Neagră is unaware of the existence of litigation or administrative proceedings against the Supervisory Board in relation to their activity within the issuer or regarding the person's ability to perform his duties within the issuer.

The Supervisory Board is based on the principles of corporate governance, which establish a responsible, professional and ethical attitude of the Company vis-à-vis major stakeholders. Within the Council, the Company's strategy and environmental prerequisites are explored in order to plan the development of the THR Black Sea and its performance, ensuring a rigorous formulation of the objectives. Within the Supervisory Board, the Company's Directorate provided detailed information on the financial statements of 2017.

The Supervisory Board was interested both in enhancing the Company's profitability and in maintaining its image of a solid and trustworthy partner for all employees.

The financial statements and the audit report were submitted for review to the Supervisory Board.

The Annual Report of the Board of Directors in accordance with the requirements of the capital market legislation was endorsed by the members of the Supervisory Board. The Directors' Report provides a true and fair view of the Company's results for the financial year 2017.

President of the Supervisory Board

Eng. Mielu Dobrin

Report

of the Board of Directors SC THR Marea Neagra SA

related to the individual financial situations drawn up for the year 2017

Annual report according to: The accountancy Law no. 82/1991, OMFP 2844/2016 for the approval of the Accountant Regulations according to the International Standards of Financial Report, to the Law no. 24/2017 regarding the capital market and the ASF Regulation no. 1/2006 regarding the issuers and the security operations.

For the financial exercise : 2017

The commercial companies from the consolidation perimeter

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

Company managed in dualistic system

Head Office: Lavrion Street, No. 29, Mangalia, Constanța County

Telephone number/Facsimil: 0241-75.24.52 / 0241-75.55.59

Unique Registration Code to the Trade Register Office: 2980547

Order number in the Trade Register: J13/696/1991

The regulated market on which the issued securities are traded: Stock Exchange of Bucharest

Subscribed and paid capital: 57.894.993,9 lei

The main characteristics of the securities issued by the commercial company: nominative, ordinary, dematerialized and indivisible shares with a nominal value of 0.1 lei / share.

Name of the commercial company: Saturn S.R.L. Balneotherapy S.R.L.

Head Office: Constanței Road, No. 76, Mangalia, Constanța County

Telephone number/Facsimil: 0241-752.452

Unique registration code at the Trade Register Office: 14271182

Order number of the Trade Register: J13/1910/2001

The shares of the company are not traded on a regulated market registered by the shareholders by the administrators with the help of the Shareholders' Register.

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1. Analyzing the business of the company

1.1. a) Description of the basic activity of commercial company

The main activity of the company according to the classification is CAEN code 5510 - "Hotels" - respectively the provision of accommodation services, public catering, spa treatment and tourist entertainment.

The activity is developed through its own work points, registered and classified according to the normative acts in force, having all the operating authorizations stipulated by the legislation in force. According to the C.A.E.N. classification, the main activity of Saturn Balneotherapy,

S.R.L. is "Specialized Health Care Activities" - C.A.E.N. 8622.

b) The date of company's foundation

The commercial company was founded on 5th of March 1991, having the name of S.C.

Eforie S.A. The company changed its name from Eforie S.A. in T.H.R. Marea Neagră S.A. in 2005, according to the Conclusion of the Deputy Judge at the Constanța Trade Registry Office number 10.687 / 24.01.2005, and during 2010, the company relocated its registered office in Mangalia, Str. Lavrion nr. 29, Constanța County.

In AGEA from 8th of November 2017, the management system of the company was modified in the Dualist system, the management of the company being carried out by the Supervisory Board and the Board of Directors. Saturn S.R.L. Balneotherapy is a legal person registered at the Trade Register Office under the number of J13/1910/2001, unique registration

code 14271182..

c) Description of significant mergers and reorganizations

In 2016, no mergers or reorganizations took place.

d) Description of acquisitions and / or asset transfers

In 2017, the company continued its strategy of development / restructuring of the company by selling some assets from the company's patrimony, namely:

Mercur Restaurant (building and land) from Eforie Sud;

Land Hotel Sport of Eforie Nord;

Neon Thermal Plant (building) of Eforie Nord.

1.1.1. Elements of general assessment:

a) Gross profit : 2.179.406 lei ;

b) Total incomes: 39.146.598 lei (whereby adjustment and write-off provisions 69.330 lei);

c) The turnover: 34.854.421 lei

d) Export: it's not necessary

e) Total costs: 36.967.191 lei (less deferred tax and specific tax of 563.370 lei);

f) % of the held market: 12,80% of the local tourist market

g) Valid in the account: 5.635.805 lei.

The company carries out its activity through its points of interest in the tourist resorts of national interest: Eforie Nord, Eforie Sud, Neptun, Venus and Saturn, being among the main profile companies in the country.

The company also has hotel units located in the market with well-established positions at the national level, some of them having the European market.

The activity has a pronounced seasonal character, determined by the period of holidays and stays on the Romanian Black Sea coast.

In order to attenuate the seasonality, the company has oriented its investment program towards the development of its own facilities for the provision of medical treatment services through the use of specific natural cure factors, currently having 4 bases of treatment within the Hora hotel complexes, Balada "," Sirena "- Saturn and" Bran-Brad-Bega "Hotel Complex in Eforie Nord, the last one being put into operation in 2012.

Operational activity generates income that results in a positive economic and financial result, able to cover all operating costs, as well as the realization of profit partly used to finance investment programs.

The concentration of the revenues achieved in a limited period of the year (June-August) involves the temporary financing of activities from attracted sources, respectively bank loans, which are reimbursed as the revenues for the financial year in progress are realized.

1.1.2. Assessment of the technical level of commercial company

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

a) The main outlets for each service and the distribution methods

In 2017, THR Marea Neagra SA exploited in direct management a number of 6,598 accommodation places and 5,525 public places, located in the tourist resorts on the Romanian Black Sea coast, in units classified as 4*, 3* and 2*.

The main products of ours are the packages of accommodation services, public catering, spa treatment, recreation (spa, swimming pools, mud baths).

An important channel of distribution is online sales through specialized sites, but also through its own sales website, the most ascending channels in recent years and with high potential for growth in the market.

Direct sales at hotel reception, especially at the end of the week, have a significant share in sales, with the company being organized to receive and solve the requests in order to cover optimally its own service capabilities.

The tourist product of the main accommodation capacities is also distributed on the foreign market on the basis of contracts concluded with external partners.

b) The incomes structure on the main service categories:

Indicators	Achieved (lei)			Total invomes (%)			Tota turnover (%)		
	2015	2016	2017	2015	2016	2017	2015	2016	2017
Total incomes, excluding adjustment incomes	42.791.490	48.371.806	39.146.598	100,00	100,00	100,00			
The turnover, whereby:	34.231.396	35.386.102	34.854.421	80,00	73,15	89,04	100,00	100,00	100,00
- Housing	20.878.291	20.160.054	21.016.132	48,79	41,68	53,69	60,99	56,97	60,30
- Meal	9.659.528	10.617.463	10.128.015	22,57	21,95	25,87	28,22	30,00	29,06
- Rents	356.66	1.169.102	606.15	0,83	2,42	1,55	1,04	3,30	1,74
Other incomes contained in the turnover	3.336.916	3.439.483.	3.104.123	7,80	7,11	7,93	9,75	9,72	8,91

The total incomes, excluding provisions for cancellation provisions, recorded by the company in the financial year 2017, amount to 39,146,598 lei and represent 80.93% of the realized 2016 year.

Within the total incomes, the turnover amounts to 34,854,421 lei, which represents 98.50% compared to the previous year.

Turnover incomes in 2017 were made from the following activities:

-Housing;

-Public nourishment;

-Rents;

-Other incomes – additional services: treatment, parkings, swimming pools, etc.

The share in the structure of the turnover is the income from the activity of

accommodation – 60.30%. The revenues from the public alimentation constituted in 2017, 29.06% of the turnover. The rental activity represented a small share of the turnover of 1.74%.

The incomes resulted from this activity, in the amount of 876,151 lei, were below the level budgeted for 2017. The group "Other incomes", reflected in the turnover, achieved by performing secondary activities (treatment, parking, swimming pools) amounted to 3.104.123 lei and represents, compared to 2016, a 7,75% reduction.

c) New products envisaged and the stage of development of these products

The company has as a priority the maintenance, development and creation of new tourist

products, taking into account the current market demands for such services.

Besides its own products: packages of accommodation services, public catering, spa treatment, leisure, the company aims at developing the existing capacities as well as developing and modernizing the IT system that allows on-line reservations and other services requested by tourists. Through the tariff and contracting policy, incentive conditions were created for the tour operators, consisting of:

- facilities for families with children;

- the schedule “Inscrieri Timpurii“;

- capping up to 18% of sales commissions to agents against contract rates;

- non-delivery of public catering services by the beneficiary to them the provider granting a commission of 13%;

- granting additional (volume) discounts at the end of the season.

Special offers have been launched to boost service package sales: holiday packages (Pentecost, St. Mary), full package accommodation packages and treatments, online sales incentives (discounts for non-

refundable purchases, „Best deal" offers, „Last minute" deals, discounts for reservations during certain periods, accommodation and treatment packages), conference room offers, participation in programs promoted by tourism employers' organizations („Litoralul pentru toti", 'Decada balneară", „Hai la bai", „O săptămână de refacere").

1.1.3. Assessment of the technical-material supply activity

The technical-material supply was mainly based on the indigenous sources of raw materials and materials, with a few exceptions, respectively for investments to which we turned to import sources.

The company has implemented an integrated quality-environment-food safety management system (SR EN ISO 9011: 2008, SR EN ISO 14001: 2005 and SR EN ISO 22000: 2005) covering also the supply segment, with specific operational procedures implemented.

Acquisitions have been made from traditional suppliers, direct producers or importers, large companies with accreditation on the respective materials certified by ISO, according to European standards and standards. Suppliers are selected by a selection board based on established criteria and score, which mainly reflects the price / quality ratio.

Regarding the security of the sources of supply, we specify that all the raw materials purchased are accompanied by certificates of conformity, warranty certificates, technical data sheets. Stocks of raw materials and materials are minimal considering the off-season.

1.1.4. Valuation of sales activity

a) Description of the sequential sales evolution on the domestic and foreign market and the prospects for medium and long term sales

The company has mainly been operating on the basis of tourism service contracts concluded with travel agencies, the National House of Public Pensions (treatment agreement), external tourism, other beneficiaries, on-line sales and for individual tourists arriving on their own. In 2017, compared to the BVC and the achievements of the previous year, the touristic circulation is as follows:

tourist days

Explanation	CNPP	Agencies	Own account	Online	Other beneficiaries	TOTAL
Realized on 31st of December 2017	128.563	189.201	11.893	20.259	32.619	382.535
BVC 2017	138.900	176.567	17.834	22.281	21.674	377.256
Differences Realized-BVC 2017	-10.337	12.634	-5.941	-2.022	10.945	5.279

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Percent Realized 2017/BVC 2017	92.56%	107.16%	66.69%	90.93%	150.50%	101.40%
Realized on 31st of December 2016	135.734	187.424	14.671	21.108	23.806	382.743
Differences Realized 2017-Realized 2016	-7.171	1.777	-2.778	-849	8.813	-208
Realized Percent 2017/Realized 2016	94.72%	100.95%	81.06%	95.98%	137.02%	99.95%
Percent BVC 2017/Realized 2016	102.33 %	94.21%	121.56%	105.56%	91.04%	98.57%
Differences BVC 2017-Realized 2016	3.166	-10.857	3.163	1.173	-2.132	-5.487
Weight in structure 2017	33.61%	49.46%	3.11%	5.30%	8.53%	100,00
Weight in structure 2016	35.46%	48.97%	3.83%	5.51%	6.22%	100,00

As you can see, in the year 2017 there was a tourist traffic of 382,535 days-tourist, representing an increase compared to the budgeted indicator by 1.4% (382,535 / 377,256).

As far as 2016, tourist days were focused in a shorter period of operation, which led to a higher occupancy rate and lower operating costs.

Thus, during the season 2017 the units were opened between 25.05 - 30.09.2017, registering an average occupancy of 67.29%, while in the season 2016 they were opened between 03.04. - 29.10.2016, registering a average employment rate of 59.15%.

From the analysis of the tourist traffic, we notice:

* The treatment agreement concluded with the National House of Public Pensions (CNPP) ensured a tourist circulation of 128,563 tourist days, in 2017, with 10,337 days less than the budget provision. This decrease is due to the fact that Eforie Nord has not been contracted. There were increases compared to 2016 at Saturn, respectively 106.83%.

* Touristic travel by travel agencies increased, compared to 2016, by 1,777 tourist days, and compared to the budget forecast, it registered a 7% increase.

* The online sales segment recorded a slight decline due to lower demand over previous years.

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* The company also concluded contracts with other beneficiaries (trade unions, associations, sport federations, etc.), on the basis of which a touristic circulation of 32,619 tourists was achieved, compared to 21,674 days of tourists, which represents a 150,50% increase budgetary provisions.

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

Explanations	Treatment	Agencies	Own account	Other beneficiaries	Online	TOTAL
Number of tourists 2017	8,260	29,182	3,908	4,928	5,325	51603
Number of tourists 2016	8,258	29,613	4,773	3978	5,752	52374
Differencies 2017/2016	2	-431	-865	950	-427	-771
% 2017/2016	100.02%	98.54%	81.88%	123.88%	92.58%	98.53%
% 2017/ Partners	16.01%	56.55%	7.57%	9.55%	10.32%	100%
% 2016/ Partners	15.77%	56.54%	9.11%	7.60%	10.98%	100%

Medium stay

Explanations	Treatment	Agencies	Own account	Other beneficiaires	Online	TOTAL
Medium stay 2017	15.57	6.46	3.07	6.62	3.8	7.41
Medium stay 2016	16.44	6.28	3.07	5.98	3.67	7.31
Differencies 2017/2016	-0.87	0.18	0	0.64	0.13	0.10

The analysis of the above situation showed that the average stay indicator registered a positive evolution in 2017, representing 7.41 days of average stay compared to 7.31 days of average stay in 2016, the increase being mainly performed by other beneficiaries (6.62 / 5.98).

The employment rate registered by the company was 67.18% compared to 59.15% achieved in 2016. In the coming years, we will continue to consider adapting the pricing and contracting policy to market requirements, creating incentive conditions for tour operators, granting volume discounts, facilities for families with children, early affiliation policy, cession commissions to stimulate sellers and create benefits for the sale of public catering services.

We will pay more attention to the on-line sales segment. We are considering the development of special offers meant to ensure an increase of the tourist traffic, as well as a permanent adaptation of the tourist product to the evolution of the market.

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

The company operates in an area where our main activity is our main activity, namely the provision of accommodation services, public food, recreation, the main attraction being the beach and the quality of the Black Sea bathing water as well as the curative qualities the main natural curative resources, Techirghiol sapropelic sludge, Techirghiol Lake water, sulphurous mezotermal water, sea water and marine aerosols.

The area has the highest concentration of tourist capacity, which creates a strong competitive climate. The foreign market is a particular competition with similar products, the tariff policy making the difference, identifying in this respect the Bulgarian seaside market as a competitor.

c) Description of any significant dependence of the company on a single customer or on a group of clients whose loss would have a negative impact on the company's income

The tourist products of T.H.R. Marea Neagră S.A. have a national distribution area and are available on all distribution channels (travel agencies, websites, direct sales, etc.).

As a result, the disappearance of a partner will not significantly affect the distribution of the tourist product.

An important share is the client of the National House of Public Pensions.

Considering that the public procurement of this partner is made for public sector retirees, the non-acquisition by CNPP of these services does not cancel the consumer demand. Health care is a necessary and continuous process, the product will be placed on other distribution channels so that the consumer can get to purchase the necessary product.

Consistent with the fact that our spa treatment product is personalized, known and proven in the market, we will not face major difficulties with negative impact on revenue if one of our main partners withdraws from the market.

1.1.5. Assessment of employees / Commercial company staff

a) Regarding the human resources in 2017, compared to the year 2016 the evolution is the following:

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Crt. No.	Indicator	Number on 31st of December 2017	Medium number in 2017	Medium number in 2016
1	Number of permanent staff whereby:	117	117	125
	a.) TESA Personnel	41	44	46
	b.) Operative personnel	76	73	79
2	Number of seasonal staff	20	245	271
3	Total of personnel	137	362	396

Compared to 2016, there is a decrease in the average number of staff both on the whole and in the structure, seasonal and permanent.

b) The relations between the manager and the employees, regulated by the Collective Labor Agreements, are based on communication, involvement and team spirit, respecting the rules and procedures of working stability through the internal regulations, the job description, without any conflicting elements.

1.1.6. Assessing issues related to the impact of the issuer's core business on the environment

The core activity of the Group is carried out in compliance with the legislation in force regarding the environmental protection requirements, obtaining the necessary environmental permits for each type of activity and on each working point. The company has identified all its activities that have a possible impact on the environment and has regulated them according to SR EN ISO 14001: 2005 environmental standards through its own procedures.

In 2017, the Group did not face disputes arising from non-compliance with legal environmental regulations.

5. Financial-accounting situation

In the year 2016, the Group held the accounting under OMF 881/2012 and OMF 2844/2016 for the approval of accounting regulations in line with International Financial Reporting Standards. According to the mentioned regulations, the financial statements prepared by the Company are audited annually by ABA Audit SRL based on the service contract no. 918 / 21.04.2015. The situation in the dynamics of the main asset positions on 31.12.2017 compared to the similar elements of the years 2016 and 2015 is as follows:

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ASSET	The value on 31st of December 2015 (lei)	The value on 31st of December 2016 (lei)	The value on 31st of December 2017 (lei)	The variation 2017/2016 (%)	The share 2017 in the assets total (%)
Intangible assets	612.035	510.805	414.985	81,24%	0,16%
Tangible assets	233.791.661	216.221.771	186.590.384	86,30%	72,78%
Real estate investments	3.337.958	16.350.751	17.191.112	105,14%	6,71%
Financial assets	0	2.432.010	2.432.010	100,00%	0,95%
Fixed Assets (including deferred tax assets)	1.538.569	1.394.641	1.404.650	100,72%	0,55%
TOTAL IMMOBILIZED ACTIVITIES	239.280.224	236.909.977	208.033.140	87,81%	81,14%
Stocks	658.266	617.359	442.154	71,62%	0,17%
Receivables	13.098.227	6.121.275	4.971.387	81,21%	1,94%
Financial assets	1.336	0	0	#DIV/0!	0,00%
Cash	3.047.685	7.777.716	5.635.805	72,46%	2,20%
Assets classified as held for sale	4.073.434	11.007.555	36.516.013	331,74%	14,24%
Expenses registered in advance	42.367	923.873	782.016	84,65%	0,31%
TOTAL OF CIRCULATIVE ASSETS	20.921.314	26.447.777	48.347.375	182,80%	18,86%
TOTAL OF ASSET	260.201.538	263.357.754	256.380.515	97,35%	100,00%

Within the Group's assets, fixed assets (81.14%), mainly land and buildings, account for the highest weight, the share of circulating assets being 18.36%.

On 31st of December 2017, the fixed assets decrease by 12.19% as compared to 2016, due to the change of the destination of some tangible assets by their classification as assets held for sale (Minerva Restaurant, Sulina, Dunarea, Pelican, Athens Complex, Saturn Saturn Tour, Saturn 3, Saturn GG, Saturn Cofetaria, Meteor Hotel, Rapsodia Garden / Restaurant.

Analyzing in the structure, tangible assets represent 72.78% of the total assets.

International Financial Reporting Standards (IFRS) require that assets be reclassified according to their use.

On current assets there is an increase from the level achieved in the previous year, from 11,007,555 lei to 36,516,013 lei, an increase due to assets held for sale classified as stocks.

The receivables of the Group consist mainly of trade receivables represented by touristic services amounting to 1,566,343 lei which have been adjusted with the amount of 1,219,460 lei representing a one-year debts related to the services rendered to Rugby Club Constanța and Mareea Comtur SRL , as well as receivables to the state budget represented by VAT to be recovered in the amount of 3,227,959 lei (as a result of the investments and acquisitions made).

In 2017, passive posts had the following evolution:

LIABILITY	The value on 31st of December 2015 (lei)	The value on 31st of December 2016 (lei)	The value on 31th of December 2017 (lei)	The variation of 2017//2016 (%)	The share of 2017 in total of liabilities (%)
Social and paid capital	57.894.994	57.894.994	57.894.994		22,58%
Adjustment of share capital due to the application of IAS 29	85.945.333	85.945.333	85.945.333		33,52%
Total capital ratios whereby:	1.895.855	1.895.855	1.895.855	100,00%	0,74%
Prime and merger ratios	1.894.814	1.894.814	1.894.814		
Equity capital gains arising from the application of IAS 29	41	41	41		
Total reserves whereby:	24.917.245	26.451.693	26.881.973	101,63%	10,49%
Legal reserves	4.522.914	4.800.831	8.744.618		
Other reserves	20.394.331	21.650.862	0		
Inflated reserves as a result of first-time application of IAS 29	16.745.901	16.745.901	16.745.901		6,53%
Legal reserves inflated due to the application of IAS 29	1.280.018	1.280.018	1.280.018		
Other provisions fueled by the application of IAS 29	15.465.883	15.465.883	15.465.883		
Total re-assessent differences whereby:	114.037.747	108.045.261	107.559.706	99,55%	41,95%
LIABILITY	The value on 31st of December 2015 (lei)	The value on 31st of December 2016 (lei)	The value on 31th of December 2017 (lei)	The variation of 2017//2016 (%)	The share of 2017 in total of liabilities (%)
Re-assessment differencies year 2015	17.818.925	17.818.925	17.818.925		
Retained earnings except for the result of the adoption of IAS 29 for the first time	47.420.552	53.330.461	52.923.423	99,24%	20,64%
Originated from the correction of accounting errors from previous years	(8.096.457)	(10.650)	-10.650		
Surplus from re-assessment reserves	58.710.059	52.870.621	52.870.621		

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Comes from the transition to IFRS	(3.193.052)	631	0		
Retained earnings from the adoption of IAS 29 for the first time	(102.691.275)	(102.691.275)	-102.691.275	100,00%	
The result of the exercise	4.802.150	4.399.514	1.616.036	36,73%	0,63%
Other equity items	(13.362.778)	(12.895.836)	-12.690.908	98,41%	-4,95%
Total Equity	237.605.723	239.121.901	236.081.038	98,73%	92,08%
Medium and long term debts	14.243.235	16.047.792	15.209.427	94,78%	5,93%
Short terms debts	8.352.579	8.188.061	5.090.051	62,16%	1,99%
TOTAL OF LIABILITY	260.201.538	263.357.754	256.380.515	97,35%	100,00%

Within the liabilities elements, the largest share is own capital (approximately 92.08%), the share capital accounting for 22.58% of the total liabilities of the company.

The shareholders' equity on 31st of December 2017 are:

- social subscribed capital and paid in the amount of 57,894,994 lei, unchanged in the last 3 years;

- first issue and merger in the amount of 1,895,855 lei, unchanged in the last 3 years;

- legal reserves and other reserves in the amount of 43,627,874 lei, with an increase compared to 2016 by 1,63%;

- differentials from the revaluation of the company's assets in the amount of 107,559,706 lei which compared to 2016 decreased by 0.45% due to the sale of certain assets;

- reported result mainly from the surplus realized from revaluation reserves amounting to 52,923,423 lei which compared to 2016 decreased by 0.76%;

- the net result of the exercise in the amount of 1,616,036 lei decreased by 63.27% compared to the year 2016 decrease due to the non-fulfillment of the asset sales indicator.

We mention that the revaluations made after 01.01.2004 are recognized from the fiscal point of view as elements similar to the income as the depreciation of the tangible assets and their output from the patrimony. For these temporary differences between book value and tax, IAS 12 requires the calculation of deferred tax that diminishes the amount of equity (included in the table under other items similar to equity) and is added to liabilities.

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Long-term debts consist of the good execution guarantees granted by the suppliers of services and immobilizations in the amount of 39,735 lei, of the deferred income tax and of the long-term portion of an investment loan amounting to 1,600,000 lei. Deferred tax is not chargeable, and will be recognized as a payable liability, as depreciation or disposal of property assets. Short-term payables consist mainly of debts to service providers and providers of fixed assets in the amount of 639,521 lei, from salary debts and their related contributions in the amount of 269,786 lei corresponding to December 2017, specific tax related to II semester 2017 in the amount of 146,756 lei with maturity on January 25, 2018, from management guarantees in the amount of 198,284 lei, shareholder dividends, 2014-2016, in the amount of 421,192 lei, from the short-term portion of an investment loan in the amount of 800,000 lei.

The result of the exercise

Indicators	2015	2016	2017	Index 2017/ 2016
Total operating income:	42.517.131	48.174.341	38.985.678	80,93%
Incomes from housing	20.878.291	20.160.054	21.016.132	104,25%
Incomes from public food	9.659.528	10.617.463	10.128.015	95,39%
Rental incomes	356.661	1.169.102	606.151	51,85%
Other incomes included in turnover	3.336.916	3.439.483	3.104.123	90,25%
Income from ceded assets and assets held for sale	7.260.763	10.919.946	1.382.160	12,66%
Other incomes	1.024.972	1.868.293	2.749.096	147,14%
Stock change	0	0	0	
Total operating expenses	36.365.495	42.237.130	36.854.068	87,26%
Expenditure on inventories	6.852.891	6.971.502	6.225.155	89,29%
Expenses on utilities	2.560.983	2.579.857	2.279.987	88,38%
Employee Benefits Expenditures	9.792.259	11.413.279	12.237.858	107,22%
Amortization and depreciation of fixed assets	6.790.976	7.266.785	7.268.161	100,02%
Expenses with ceded assets and assets held for sale	3.381.254	6.095.247	712.351	11,69%
Expenses with other taxes and fees	2.217.785	3.332.924	3.257.647	97,74%
Expenditure on external benefits	4.042.149	4.414.570	3.583.838	81,18%
Other expenses	727.198	162.965	1.289.070	791,01%
Operating result	6.151.636	5.937.212	2.131.610	35,90%

Financial incomes	274.359	197.465	160.920	81,49%
Financial iexpenses	149.304	582.023	113.124	19,44%
Financial result	125.055	-384.558	47.796	-12,43%
Total incomes	42.791.490	48.371.806	39.146.598	80,93%
Total expenses	36.514.799	42.819.153	36.967.191	86,33%
GROSS result	6.276.691	5.552.654	2.179.406	39,25%
The Result Before Taxing	6.276.691	5.552.654	2.179.406	39,25%
Current income tax expense	1.339.701	1.182.409	42.274	3,58%
Expenses with specific tax			293.512	0,00%
Expenses with deferred tax expense	134.842	0	227.584	0,00%!
Deferred tax income	0	29.269	0	0,00%
NET Result	4.802.149	4.399.514	1.616.036	36,73%

Indicators	2015	2016	2017	Index 2017/ 2016
Basic activity				
Operational activity				
Incomes	35.256.368	37.254.395	37.603.517	100,94%
Expenses	32.984.241	36.141.883	36.141.716	100,00%
Gross profit from the operational activity	2.272.127	1.112.513	1.461.801	131,40%
Financial activity				
Incomes	274.359	197.465	160.920	81,49%
Expenses	149.304	582.023	113.124	19,44%

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Financial gross profit	125.055	-384.558	47.796	-12,43%
Total incomes from the basic activity	35.530.727	37.451.860	37.764.438	100,83%
Total expenses from the basic activity	33.133.545	36.723.906	36.254.840	98,72%
Gross result from the basic activity	2.397.182	727.955	1.509.598	207,38%
Asset sales activity				
Incomes	7.260.763	10.919.946	1.382.160	12,66%
Expenses	3.381.254	6.095.247	712.351	11,69%
Gross profit on asset sales	3.879.509	4.824.699	669.809	13,88%
TOTAL Incomes	42.791.490	48.371.806	39.146.598	80,93%
TOTAL Expenses	36.514.799	42.819.153	36.967.191	86,33%
TOTAL GROSS PROFIT	6.276.691	5.552.654	2.179.406	39,25%
Profit tax expense + Specific tax expense + Deferred income tax expense-Deferred income tax expense	1.474.543	1.153.139	563.370	48,86%
NET Result	4.802.149	4.399.514	1.616.036	36,73%

The total revenues recorded in 2017 in the amount of 39,146,598 lei (less the incomes from the provisioning cancellation in the amount of 69,330 lei) represent 80.93% of the volume registered in the previous year 2016.

The total expenditures registered for the financial year 2017, in the amount of 36,967,191 lei, represent 86.33%, compared to 2016. According to the share of the achieved revenues, in the total revenues, two main categories can be identified: the basic activity of the company (strictly operational), generating income in percentage 96.06% of the total and the activity of active sales, according to the strategy approved by the General Assembly of the Company's Shareholders, with revenues of 3.54% of the total.

The total gross profit realized in the amount of 2.179.406 lei shows, by activity, the following structure:

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Operational activity 1,461,801 lei; 67.07%;

Financial activity, 47,796 lei; 2.20%;

Active sales activity 669,809 lei; 30.73%;

On December 31, 2017, the company registered a gross profit of the basic activity of

1,509,598 lei, having the structure as follows:

- The gross profit from operating activity, of RON 1,461,801

- The gross profit from the financial activity, of 47,796 lei

Regarding the gross profit from the sale of assets, we register a value of 669,809 lei, which is a non-implementation of the budgeted provisions, the decrease due to the non-realization of the sales proceeds of assets. In the quantification of the indicator Sales incomes of assets, representing the value of the Semiramis Complex, whose sale had been budgeted and did not materialize as a result of the renunciation of the buyer's request made by the current tenant.

Although efforts have been made to sell other assets within the restructuring strategy, the unfavorable market situation has not allowed them to materialize.

The management of the company took steps in 2017 to strictly track spending and resize.

Mainly, they consisted of:

- Managing the arrival of tourists to certain hotels and restaurants to ensure a degree of employment that allows them to be exploited in efficient conditions, and for the others to ensure minimum conditions of operation;

- Reducing utilities consumption and optimizing them by setting the rules of crisis

consumption;

- direct unit supply, aiming at reducing transportation, storage and distribution costs.

- rhythmical supply, based on a well-founded "necessity", provision of minimum stocks;

- staffing in proportion to the evolution of income;

- Return of goods to suppliers when closing units;

- general spending and administration restrictions;

- strictly tracking the coreland Treasury cash flows with payments, reducing the balance of the loan account and the related interest;

- Strictly monitoring the due dates for state and local budgets, partners, in order to avoid delays that may lead to the payment of possible penalties and / or fines;

- collection of receivables at maturity, observation of the recovery procedure.

Concluding, at the end of 2017, the Group. registered a gross profit of 2.179.406 RON, and a net profit, determined after the deduction of the calculated profit tax, according to the legal regulations, in the amount of 1.616.036 lei.

3. Financing the activity

During 2017, S.C. THR Marea Neagra S.A. financed its activity by using its own sources, as well as by employing two credit lines totaling 9,900,000 lei. At the end of 2017, the situation of the two credit lines is as follows:

- The credit line amounting to 2,400,000 lei was reimbursed on 31.10.2017, according to the credit agreement;

- The credit line of 7,500,000 lei - at the end of the year was unused

Regarding the payment obligations, the company does not register outstanding debts in relation to the state budget, banking institutions and other authorities as of 31.12.2017.

4. Company's tangible assets

4.1. The main accommodation and catering facilities of the company, located in

the touristic circuit in 2017, consist of:

Accommodation units:

- 2 hotels of 4* with a total capacity of 992 beds
- 8 hotels of 3* with a total capacity of 3.454 beds
- 9 hotels of 2* with a total capacity of 2,152 beds

Public nourishment units:

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- 2 restaurants of 4* with a total capacity of 773 seats

- 6 restaurants of 3 *, with a total capacity of 2,520 seats

- 5 restaurants of 2 *, with a total capacity of 1.468 seats

- 2 day bars of 4*, with a total capacity of 120 seats

- 9 day bars of 3*, with a total capacity of 464 seats

- 1 bar per day 2*, with a total capacity of 60 seats

- 2 bouquets of 1*, with a total capacity of 120 seats

Recreational facilities:

- 3 aqua parks, with a total capacity of 850 seats.

Spa treatment units:

- 4 treatment bases: Complex Bran-Brad-Bega, Hora, Balada and Sirena with a total capacity of 5,350 procedures per day.

In total, the company had in the tourist circuit in 2017 6,598 accommodation places and 5,525 public catering places, the distribution by resorts being presented as follows:

Classif. Categ.	Eforie Nord		Eforie Sud		Venus		Saturn		General Total	
Hotels	units	cap	units	cap	units	cap	units	cap	units	places
****	1	438	0	0	0	0	1	554	2	992
***	0	0	0	0	2	512	6	2.946	8	3.454
**	3	502	2	444	0	0	4	1.206	9	2.152
Housing total	4	940	2	444	2	512	11	4.706	22	6.598
Classif. Categ.	Eforie Nord		Eforie Sud		Venus		Saturn		Total general	
	units	cap	units	cap	units	cap	units	cap	units	cap
Restaurants										
****	1	219	0	0	0	0	1	554	2	773
***	0	0	0	0	1	220	5	2.300	6	2.520
**	1	226	1	224	1	264	2	754	5	1.468

Total	2	445	1	224	2	484	8	3.608	13	4.761
Classif.	Eforie Nord		Eforie Sud		Venus		Saturn		Total general	
Categ.	units	cap	units	cap	units	cap	units	cap	units	places
Bars										
****	1	80	0	0	0	0	1	40	2	120
***	0	0	0	0	2	134	7	330	9	464
**	1	60	0	0	0	0	0	0	1	60
Total of day bars	2	140	0	0	2	134	8	370	12	644
Buffets										
*	0	0	1	30	0	0	1	90	2	120
Total of buffets	0	0	1	30	0	0	1	90	2	120
Total of public nourishment	4	585	2	254	4	618	17	4.068	27	5.525

4.2 Describing and analyzing the degree of wear and tear of the properties of commercial companies

The company's assets are more than 45 years old, generally built between 1968 and 1972. The assets in the tourist circuit have classification certificates and legal authorizations, fulfilling the legal requirements for the respective comfort category.

Some of the assets have been upgraded in the last 10 years, with a degree of comfort from one or two stars to three and four stars. The works performed were of a large scale, including consolidations, so that they have a wear degree lower than their age.

A particularity of the activity is the existence in the patrimony of nonfunctional productive and auxiliary units and others with partial functioning, which strike the basic activity and the economic result, given the investment necessity and the acute lack of funds, the low market of the real estate market and implicitly the reduced possibility to capitalize the assets approved for sale through the company strategy.

These assets generate both fixed and variable expenses necessary for the preservation, the fixed expenses related to the taxes and taxes, being amended by the Law no. 227 / 2015 regarding the Tax Code with applicability starting with 1st of January 2017.

To optimize these costs, it has been provided for the partial operation of some assets wherever possible, in order to reduce the volume of recorded losses.

5. Assessment of investment and development activity

The company is constantly searching for solutions to reduce costs, but also to attract new customers. The company has implemented alternative solutions for the production of electric power and thermal energy for the preparation of domestic hot water with solar energy, the solution being expanding. At the same time, given the fact that the local administration has completed the investment of the gas supply of the resorts, the company is considering the connection of the thermal power stations and of the food blocks to the gas network, with a positive impact on the environment and the efficient use of the financial resources.

The company has also completed the implementation of the integrated IT system for all accommodation units and public catering that it owns with the IT systems of the main partners (National House of Public Pensions, Tour Operator Agencies) so that it can be obtained in real time information on the valorisation of tourist packages and their reallocation according to requests as well as the reconfiguration of the tariff and sales policy.

In 2017, the Group made significant investments amounting to RON 4,424,384(including VAT), presented in the following table:

No. Crt.	Investment objectives	Value (lei)
1	Rehabilitation and execution of ventilation and air-conditioning installations, ventilation and air-conditioning systems, painting, electrical and sanitary installations Cleopatra Hotel	980.510
2	Exterior paintings, sanitary and electrical installations R Brad, H Lidia, H Athens, H Cerna, H Mures, H Prahova, H Siret, H Capitol, R Balada, Balada pool, R Venus, R Lidia, R Bega, R Siret, R Sirena, R Prahova, H Raluca, R Aida, H Hora, H Vraja Marii	549.085
3	Installation 114 pieces entrance doors, 3250 sq m carpet installation, door finishing works, electrical and sanitary installations Balada Hotel	375.116
4	Construction works, waterproofing and other works R Cleopatra, BBB pool, R. Orion, R Narcissus, Cleopatra cat, CT Vraja Marii, R. Capitol, H Gloria, GG Jupiter	296.170
5	Exterior painting, Sanitary facilities Cerna Restaurant	254.778
6	Rehabilitation of air conditioning, electrical installations, Sirena sanitary	227.050

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No. Crt.	Investment objectives	Value (lei)
	Hotel	
7	Rehabilitation works sanitary, electrical, sanitary works Hotel Aida	214.269
8	Ventilation and air conditioning systems, outdoor painting works, sanitary facilities Hotel Bran	198.736
9	Ventilation and air conditioning systems, exterior painting, sanitary installations Brad Hotel	191.162
10	Ventilation and air conditioning systems, exterior painting, sanitary installations Bega Hotel	183.812
11	Underlays works and other works Diana Hotel	146.246
12	Rehabilitation works for sanitary groups Tosca Hotel	113.049
13	Rehabilitation works 8 sanitary and other works Venus Hotel	94.176
14	Exterior painting and electrical installations H Magura, Ef.Sud Cold Baths, Narcissus Buffet, Saturn Laundry	86.803
15	Authorization of ISU R Lidia, H Lidia, R Sirena, R Balada, R Hora, R Narcis, H Sirena, H Narcis, H Hora, R Cleopatra, H Cleopatra, H Balada, R Brad, H Brad, H Bega, H Bran , R Bega, R Capitol, H Capitol and Plan fire intervention complex Narcissus	55.302
16	Exterior Painting R Magura, R Minerva, R Sulina, R Danube, CP 3, Saturn Sweetshop, Raluca Pool	36.811
17	Implementation Clarvision Economic Management System (program, server)	14.622
18	Clearing places play the Cleopatra and Ballad Pool	10.622
19	Various Endowments	10.329
	TOTAL INVESTMENTS without VAT	4.038.646
	VAT	385.738
	TOTAL INVESTMENTS including VAT	4.424.384

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The following financing sources were used to finance the investments:

Explanations	Value (lei)
Cash-flow generated by the sale of assets with full payment / rates (with VAT) after the tax on profit	1.515.619
Development Fund	241.300
Sources of financing previous year	11.000.000
Payment	6.897.701
Own financing sources	19.654.620
Repayment rates + interest rate credit investments	-883.400
Return of good execution guarantees	-52.000
Dividends	-3.936.960
Total funding sources	14.782.260

The share of the contribution in the financing of the investments was represented by the own sources, resulting from the performed activity.

6. Identify potential issues related to the ownership of tangible assets of the company.

The main litigation relating to the company's property rights over tangible assets are related to:

- PTTR Travel Agency of Saturn, in contradiction with CN Romanian Post

7. Market of securities issued by the company

7.1. Specification of the markets in Romania and other countries where the securities issued by the trading company are negotiated.

It is a publicly owned company, according to the terminology provided by Law 24/2017 on the capital market, being registered with the National Securities Commission - Securities Evidence Office. T.H.R. Marea Neagră S.A. are listed in the 2nd category of the Bucharest Stock Exchange starting August 15, 2002, with the symbol "EFO". On the last trading day of 2017 and 30.12.2017 respectively, at the closing of the Stock Exchange, the shares of THR Marea Neagra SA were quoted at a value of 0.098 lei / share, compared to 0.0826 lei / share on 30.12.2016.

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7.2. Description of the company's policy on dividends. Specification of the dividends due / paid / accumulated in the last 3 years and, if applicable, the reasons for the possible diminishing of dividends over the last 3 years.

For the year 2014, the General Meeting of the Shareholders decided the distribution of the profit for the constitution of legal reserves, own sources of financing and dividends amounting to 2.026.325 lei.

For the year 2015, the General Meeting of the Shareholders decided the distribution of the profit for the constitution of legal reserves, own sources of financing and dividends amounting to 3,137,436 lei.

For the year 2016, the General Meeting of the Shareholders decided to allocate the profit for the constitution of legal reserves, own sources of financing and dividends amounting to 3,936,860 lei.

7.3. Description of any activities of the acquiring company of its own shares.

The company did not acquire its own shares in 2017.

7.4. If the company has subsidiaries, the indication of the number and a

of the nominal value of the shares issued by the parent company owned by the subsidiaries.

The Company holds shares in the share capital of other entities as follows: -32,059% of the share capital of S.C.Transilvania Hotels & Travel.

7.5. If the company has issued bonds and / or other securities

The company did not issue bonds in 2017.

8. Management of the company

8.1. Until 08.11.2017, the company was administered in a unitary system, the management being assured by the Board of Directors made up of:

* Mielu Dobrin - President

* Dragoș Călin - Member

* Titus Prescure - Member

* Dorinel Cazacu - Member

* Nicolae Butoi - Member

On 08.11.2017, the General Meeting of Shareholders changed the management system from unitary to dualist system, appointing a Supervisory Board consisting of 3 members:

* Mielu Dobrin - President

* Dragoș Călin - Member

* Dănuț Florin Buzatu – Member

All members of the Supervisory Board were elected at the proposal of the majority shareholder S.I.F. Transylvania. Until 08.11.2017, the Board of Directors convened periodically in sessions, according to the provisions of Law 31/1990 republished and in accordance with the provisions of the Constitutive Act. The Board of Directors has monitored the operational and financial performance of executive management through its established performance indicators and criteria and other approved programs. All efforts of the Board of Directors were aimed at fulfilling the company's mission to provide quality services with the help of qualified staff. Also, the priority objective is to develop the technical-material basis, to rehabilitate and modernize the existing one, through a coherent and consistent investment program, in the context of a real environmental protection.

The Board of Directors has pursued the program of activity proposed for 2017, the execution of the monthly and annual income and expenditure budget and the approved investment and repair program. The anticipation and organizational effort of the Board of Directors has resulted in future company development programs, marketing programs, computerization programs, personnel promotion and recruitment programs and increasing the quality of the tourism product, procedures systems for the main activities of the company and reconsidering its organizational structure.

b) any agreement, understanding or family relationship between that manager and another person for whom that person has been appointed as a manager;

It's not necessary.

c) the manager's attendance in the capital of the company;

Mister Mielu Dobrin, Chairman of the Supervisory Board, holds 406,759 issued by the company.

d) list of companies affiliated to the company.

Group affiliates are:

S.I.F. Transilvania S.A., a company holding 77.71% of the shares issued by T.H.R. Black Sea S.A .;

Transilvania Hotels & TravelS.A., A company where T.H.R. Black Sea S.A. owns 32,059% of its share capital.

8.2. Presentation of the list of members of the executive management of the commercial company.

From 08.11.2017, the Supervisory Board appointed the Company's Directorate with the following composition:

Moșoiu Georgiana Narcisa - President Director / General Manager

Cazacu Dorinel - Member of the Executive Board

Pârcălabu Doina Domnica - Member of the Directorate / Commercial - Financial Director

a) the duration of the mandate granted to the members of the Executive Board

The members of the Board of Directors concluded a contract with the company according to the provisions of Law 31/1990 on commercial companies, contract expiring on 09.11.2018.

b) any agreement, understanding or family relationship between that person and another person by virtue of which that person has been appointed as a member of the executive management;

It's not necessary.

d) attendance of the respective person in the capital of the commercial company.

In the directorate, Mrs. Moșoiu Georgiana Narcisa holds a total of 1,500 shares.

8.3. For all persons listed on 8.1. and 8.2. clarification of possible litigation

or administrative procedures in which they have been involved in the past 5 years in relation to their activity within the issuer, as well as those relating to that person's ability to perform his duties within the issuer.

It's not necessary.

9. Assessing the business of the company on risk management

9.1. The management of the Group has ensured and ensured prudent liquidity risk management, consistently pursuing sufficient cash provision to cope with timely maturing payments.

The specific nature of the activity, determines the exposure of the company to a variety of risks with a general character but also risks specific to the activity and the financial market on which it operates. Risk is defined as the possibility of recording unfavorable deviations in results against an expected level due to random fluctuations. Significant risks are the risks with a significant impact on the patrimonial and / or reputation situation of the company.

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

In its work, 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. As a

rule, however, the Group faces controllable risks, for which active policies and procedures (analysis, monitoring and control) are adopted. These risks are associated with internal invoices such as the nature of the activity carried out, the complexity of the organizational structure, the quality of the staff, etc.

The main risks to which the Group is exposed are:

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

Interest rate risk

Company's operating cash flows are affected by interest rate variations, mainly for credit lines contracted according to the ROBOR rate. In recent years, the ROBOR benchmark had a relatively constant trend, which makes this risk to be reduced.

Credit risk

Credit risk is the risk of loss or non-realization of estimated profits as a result of non-fulfillment of financial obligations. T.H.R. Marea Neagră S.A. has sold assets in installments, for which he calculates and collects interest. The remaining contract price and related interest are secured by mortgages on assets in favor of T.H.R., so the risk of non-payment is low.

Liquidity risk

Liquidity is the ability of the Group to provide the necessary funds to meet all its direct and indirect payment obligations at a reasonable price at any time. The liquidity risk is the actual or potential risk that the profits and capital of the company could be subject to because of its impossibility to meet its payment obligations at the time of maturity.

The Group has always sought to ensure a balance between its sources of financing and its short-term needs, so it has always had liquidity to meet its financial obligations.

The company prepares monthly cash-flow forecasts for periods ranging from 6 months to one year, so it can detect a possible lack of liquidity on time and take action accordingly.

Operational risk

Operational risk is defined as the risk of loss or non-realization of estimated profits due to internal factors such as inadequate performance of internal activities, the existence of inadequate personnel or

systems or external factors such as economic conditions, changes on the capital market, technological advances. Operational risk is inherent to all the Company's activities.

Policies adopted by the company for the prevention and management of operational risk, which may have a direct, negative impact on the exploitation activity (the base), have taken into account each type of event that can generate such risks.

9.2. Perspectives on the business activity of the company

One of the products with high potential for growth in the future is spa tourism. Company units are located in resorts with natural cure factors. The company has identified this opportunity and obtained licenses to exploit these natural resources, expanding the capacity of treatment bases so that we can cope with the demand for such services.

This segment of the spa tourism will ensure the reduction of the tourist seasonality effects and will help us to attract tourists from abroad, especially from the European area.

European Directive no. 24/2011 sets the rights of patients in cross-border healthcare, providing the legal framework to guarantee the rights of European citizens to receive healthcare in all EU countries. One of the main concerns of the company is to attract this segment of tourists.

Another development direction is leisure tourism, which is a priority for the company, with the designing of the environment, including the development of recreational facilities.

A major concern of the company is the expansion of distribution channels.

The company is in a continuous search for new clients, and the consolidation of the market relations with the current clients.

10. Corporate Governance

The Board of Directors convened monthly in sessions, according to the provisions of Law 31/1990 republished and whenever necessary, its attributions being stipulated in the Articles of Association.

The Board of Directors has monitored the operational and financial performance of executive management through performance indicators and criteria set in the Income and Expenditure Budget and other approved programs.

During the year 2017 the activity of the administrators was focused on the realization of the object of activity of the company according to the decisions of the General Government, the legal provisions and the provisions of the Constitutive Act.

One of the constant concerns of the administrators was to increase sales by developing the sales department, identifying new customers and loyalty to traditional customers. Also, the promotion of

tourism products policy has been improved by launching special offers and customized offers for specific tourist categories.

Also, the Board of Directors was concerned with asset sales, approving the minimum prices and conditions for the sale of these assets. The company actively searched for potential clients, organized public auctions, and advertised for such transactions.

Company litigations are systematically monitored by the administration, so that each meeting of the council has at least one point on the agenda of the company's main litigation. The Board of Directors analyzed the options the company has in these cases and, where appropriate, hired law firms specialized in such litigation.

With the transition to the dual system of administration, the Supervisory Board set up two committees with the following structure:

Audit Committee: Mielu Dobrin and Florin Danut Buzatu

Nomination and Remuneration Committee: Dragoș Călin and Florin Dănuț Buzatu.

The attributions of the Executive Board are clearly established, being provided in the mandate contracts concluded with the company. An internal control system has been implemented within the company, with working procedures established for the main activities. Internal control is ensured at all levels, within the company there is an Internal Financial Control and Management Office. The internal audit activity is provided by S.C. Romar-CO Audit SRL, and starting with 08.11.2017 the internal audit is directly subordinated to the Company's Directorate. The Company has adhered to a Corporate Governance Code, annually drawing up the CGC Declaration of Compliance. The financial and accounting reports of the company are sent to the tax authorities and the market bodies, within the time limits stipulated by the law.

The mother company registered on 31.12.2017 a share capital amounting to 57,894,993.90 lei, subscribed and paid-up share capital representing 578,949,939 nominative, ordinary, dematerialized and indivisible shares with a nominal value of 0,1 lei / share. The Company observes the provisions of Article 10 of Law 31/1990 on commercial companies, regarding the minimum level of share capital for joint-stock companies. All shares may be freely traded on the Bucharest Stock Exchange without any limitations on the holding of securities, the need to obtain the approval of the issuer or other securities holders.

11. Conclusions and proposal for distribution of the profit of the mother company

In 2017 the parent company acted in accordance with the provisions of the Articles of Incorporation, of the decisions of A.G.A., of B.V.C., in compliance with the legislation in force regarding the organization and reflection in the accounting of the specific activity, as well as of the capital market regulations.

At the end of 2017, the mother company records:

- A recovered loss of 768,515.72 lei resulted from the correction of the accounting errors (10,650 lei representing the registration in 2016 of some expenses related to the services rendered by Man-Co SRL in 2015, 793,063 lei representing the amount of projects elaborated in order to modernize the material base , not yet in operation until this date, expenses related to the 2009-2012 period), which the directorate proposes to cover from "The reported result representing the surplus from the re-assessment reserves (account 1175);

- A net profit of 1,691,836 lei.

The Directorate of THR Marea Neagra SA proposes the following distribution of the net profit of THR Marea Neagra SA recorded on 31st of December 2017.

1. To the legal reserve according to art. 183 of Law 31/1990 of the commercial companies, republished 110,647.00 lei

2. Distribution to other reserves of 741,711.59 lei

3. Dividend distribution to shareholders 839,477.41 lei

GENERAL MANAGER/EXECUTIVE MANAGER

Narcisa Moșoiu

ADMINISTRATIVE MANAGER/VICE-PRESIDENT

OF THE BOARD OF DIRECTORS

Dorinel Cazacu

HUMAN RESOURCES MANAGER/MEMBER

OF THE BOARD OF DIRECTOR

Doina Pârcălabu

****

The undersigned, Vig Corina-Luiza, interpret and translator authorized for the foreign languages English and French, under license no. 32809 awarded by the Romanian Ministry of Justice on 27.10.2011, do hereby certify that the foregoing is a true and correct ENGLISH translation of the original ROMANIAN document, that the text shown to me has been translated with no omissions and that, through translation, the content and meaning of the document have not been corrupted.

INTERPRETER AND TRANSLATOR AUTHORIZED,

VIG CORINA-LUIZA

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Compliance with the state of Corporate Guvernance 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/responsabilities for Board and key management functions of the company, applyng, among others, the General Principles of Section A.	Yes	
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 resulution on the issue which gives rise to such conflict of interest.	Yes	.
A.3.	The Supervisory Board or Board of Directors should have at least five members.	No	According to art.153.6 (3) of the Law no. 31/1990, the minimum number of members is 3
A.4.	The majority of the members of the Board of Directors should be non-executive. At least one member of the board of directors or the supervisory board must be independent in the case of companies in the standard category.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 or of the Supervisory Board, as the case, 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	Yes	The opportunity to issue a declaration on the fulfillment of the criteria of independence within the meaning of Law 31/1990 will be analyzed.

	independent in character and judgment and according to the following criteria: A.4.1.is not the Chief Executive Officer / Chief Executive Officer of the Company or a Company controlled by it, and has not held such a position for the past five (5) years; A.4.2.not employed by the company or a company controlled by it and has not held such a position for the past five (5) years; A.4.3.do not receive or receive additional remuneration or other benefits from the company or a company controlled by it other than those of the non-executive trustee; A.4.4.not is nor was, or has not, or had, during the previous year, a contractual relationship with a significant shareholder of the company, a shareholder controlling more than 10% of the voting rights, or a company controlled by it; A.4.5 does not have and did not have a business or professional report with the company or a company controlled by it, either directly or as a client, partner, shareholder, member of the Board / Administrator, general manager / executive director or employee of a company if, by virtue of its substantive nature, this report may affect its objectivity; A.4.6 is not and has not been for the past three years the external or internal auditor or partner or associate employee of the current external financial auditor or the internal auditor of the company or a company controlled by it; A.4.7. is not the general manager / executive director of another company where another general manager / executive director of the company is non-executive; A.4.8 has not been a non-executive manager of the company for more than 12 years; A.4.9 has no family ties with a person in the situations referred to in A.4.1. and A.4.4.		
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	Yes	

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	to potential investors before appointment and during his/her mandate.		
A.6.	Any member of the Board should submit to the Board, information on any relationship with a shareholder who 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.	Yes	
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 evalution 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.	Yes	Consideration will be given to the development of a guide on the evaluation of the Board
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 or of the Supervisory Board.	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	Yes	

Head Office: Romania, Mangalia, Lavrion Street, No. 29, Constanța County, Phone: +40-241-752-452
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IBAN Account: RO71 RNCB 0117 0151 6314 0001, Banca Comercială Română – Mangalia Agency
Subscribed and Paid Capital : 57.894.993,9 lei
Company managed in a dualistic system
www.thrmareaneagra.ro

	and responsabilities 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.		
B.2.	The audit committee should be chaired by an independent non-executive member.	Yes	
B.3.	Among its responsabilities, 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 ploicy 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	Yes	

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	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.		
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 fulfiment of the core functions of the internal audit department, it should report functionally to the Board via the audit committee. For administrative purposes and in the scope related to the obligations of the managemnt to monitor and mitigate risks, it should report directly to the chief executive officer.	Yes	
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. The remuneration report should present the implementation of the remuneration policy for the persons identified in the remuneration policy during the annual period under review. Any essential change of the remuneration policy should be	Not	The Company will include a statement in the annual report on the implementation of the remuneration policy .

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	published on the corporate website in a timely fashion.		
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, inclusding:	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 insitutions;	Yes	
D.1.3.	Current reports and periodic reports (quarterly, semi-annual and annual reports) – al least as provided at item D.8 – including current reports with detiled 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 ebables 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-annula, annual), auditor reports and annual reports.	Yes	

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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 ot 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 uncertinty, with results sometines 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 corprate website.	Not	There is no legal obligation
D.4.	The rules of general meetings of shareholders should not 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.	Yes	
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 Chaiman 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,	Yes	

	operating profit, net profit and other relevant financial indicators, both on quarter-on quarter and year-on-year terms.		
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	

TURISM, HOTELURI, RESTAURANTE MAREA NEAGRA S.A.

SEPARATE FINANCIAL STATEMENTS
31 DECEMBER 2017

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

TURISM, HOTELURI, RESTAURANTE MAREA NEAGRA SA

STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED AT 31 DECEMBER 2017

(All amounts are presented in RON)

For the financial year ended at 31 December	Note	Row	(RON) 2017	(RON) 2016
Continuing operations				
Income from accommodation	*3*	*1*	*21,016,132*	*20,160,054*
Income from catering	*3*	*2*	*10,128,015*	*10,617,463*
Rental income	*3*	*3*	*876,151*	*1,339,102*
Other income included in turnover	*3*	*4*	*2,399,878*	*2,825,792*
Income from disposals of tangibles and non-current assets held for sale	*4*	*5*	*1,382,160*	*10,919,946*
Other income	*3*	*6*	*2,795,169*	*1,926,362*
Changes in stock	*3*	*7*	*0*	*0*
Total Operational Income		***8***	**38,597,505**	**47,788,719**
Expenses related to inventories	*6*	*9*	*6,139,255*	*6,843,670*
Utility expenses	*6*	*10*	*2,260,544*	*2,550,082*
Employee benefits expense	*5*	*11*	*11,084,218*	*10,259,533*

TURISM, HOTELURI, RESTAURANTE MAREA NEAGRA SA

STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED AT 31 DECEMBER 2017

(All amounts are presented in RON)

For the financial year ended at 31 December	Note	Row	(RON) 2017	(RON) 2016
Depreciation and amortization expenses	*6*	*12*	*6,820,711*	*6,857,190*
Expenses related to disposed fixed assets and assets held for sale	*6*	*13*	*712,351*	*5,895,660*
Other taxes	*6*	*14*	*3,252,799*	*3,331,056*
Expenses related to external services	*6*	*15*	*5,173,292*	*6,391,764*
Other expenses	*6*	*16*	*1,289,070*	*162,965*
Total Operational expenses		***17***	**36,732,240**	**42,291,920**
The result of operational activities		***18***	**1,865,265**	**5,496,799**
Financial income		*19*	*460,791*	*627,569*
Financial expenses		*20*	*113,124*	*582,023*
Net financial result		***21***	**347,667**	**45,546**
Result before taxation		***22***	**2,212,932**	**5,542,345**
Current income tax expense		*23*	0	1,116,307

TURISM, HOTELURI, RESTAURANTE MAREA NEAGRA SA

STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED AT 31 DECEMBER 2017

(All amounts are presented in RON)

For the financial year ended at 31 December	Note	Row	(RON) 2017	(RON) 2016
Specific activity tax expense		*24*	293,512	0
Deferred income tax expenses	*7*	*25*	227,584	0
Deferred income tax income		*26*	*0*	*29,269*
Result for continuing operations		**27**	**1,691,836**	**4,455,307**

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

Total comprehensive income for the period		**30**	**(1,167,824)**	**(1,998,905)**

Earnings per share (RON/share)	0.0029	0.0077
Diluted earnings per share (RON/share)	0.0029	0.0077

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

CHAIRMAN OF THE BOARD OF DIRECTORS — CHIEF FINANCIAL OFFICER

NARCISA MOSOIU — DANIELA TUDOR

TURISM, HOTELURI, RESTAURANTE MAREA NEAGRA SA
STATEMENT OF FINANCIAL POSITION

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

(All amounts are presented in RON)

As at 31 December	Note	Row	(RON) 2017	(RON) 2016
Assets				
Non-current assets				
Tangible assets		*1*		
Freehold land and land improvements	*8*	*2*	*59,734,338*	*83,615,615*
Buildings	*8*	*3*	*107,021,706*	*108,679,480*
Plant and machinery, motor vehicles	*8*	*4*	*6,648,614*	*8,449,669*
Fixtures and fittings […]	*8*	*5*	*9,499,841*	*10,985,403*
Tangible assets in progress	*8*	*6*	*991,285*	*1,355,732*
Intangible assets		*7*		
Concessions, patents , licenses, trademarks , similar rights and assets		*8*	*294,955*	*484,270*
Other intangible assets	*9*	*9*	*101,498*	*1,824*
Intangible assets in progress		*10*	*0*	*0*
Trade receivables and other receivables		*11*	*453,572*	*453,572*
Investment property	*8,10*	*12*	*17,191,112*	*16,350,751*
Booked investments through equity		*13*	*0*	*0*
Financial assets	*11*	*14*	*2,434,010*	*2,434,010*
Deferred tax assets	*7*	*15*	***951,078***	***941,069***
Total fixed assets		***16***	**205,322,009**	**233,751,395**

TURISM, HOTELURI, RESTAURANTE MAREA NEAGRA SA

STATEMENT OF FINANCIAL POSITION

FOR THE FINANCIAL YEAR ENDED AT 31 DECEMBER 2017

(All amounts are presented in RON)

As at 31 December	Note	Row	(RON) 2017	(RON) 2016
Current Assets				
Inventories	*12*	*17*	*442,128*	*617,337*
Financial assets	*11*	*18*	*0*	*0*
Current tax assets		*19*	*0*	*0*
Trade receivables and other receivables	*13*	*20*	*4,868,821*	*6,080,021*
Accrued expenses	*14*	*21*	*782,016*	*923,273*
Cash and cash equivalents	*15*	*22*	*4,439,143*	*7,337,535*
Non-current assets held for sale	*16*	*23*	*36,516,013*	*11,007,555*
Total Current Assets		***24***	**47,048,121**	**25,965,721**
Total Assets		**25**	**252,370,130**	**259,717,116**
Equity				
Share capital	*17*	*26*	*57,894,994*	*57,894,994*
Capital adjustment following adoption of IAS 29 for the first time	*17*	*27*	*85,945,333*	*85,945,333*
Share premium	*18*	*28*	*1,895,855*	*1,895,855*
Reserves	*18*	*29*	*22,894,846*	*22,542,869*
Reserves from the application of IAS 29	*18*	*30*	*16,745,901*	*16,745,901*
Revaluation differences	*18*	*31*	*107,511,069*	*107,996,624*
Result for the period	*19*	*32*	*1,691,836*	*4,455,307*
Retained earnings except retained earnings from the adoption of IAS 29 for the first time	*19*	*33*	*52,587,660*	*52,860,602*
Retained earnings came following the application of IAS 29 for the first time	*19*	*34*	*(102,691,275)*	*(102,691,275)*

31 December	Note	Row	(RON) 2017	(RON) 2016
Other elements of equity	*20*	*35*	*(12,690,844)*	*(12,895,772)*
Total Equity		***36***	**231,785,375**	**234,750,438**
Liabilities				
Long-term liabilities				
Long-term loans		*37*	*1,600,000*	*2,400,000*
Trade payables and other liabilities, including derivatives	*21*	*38*	*39,735*	*208,539*
Provisions	*22*	*39*	*409,128*	*478,458*
Deferred tax liabilities	*7*	*40*	*13,160,498*	*12,960,731*
Total Long-term liabilities		***41***	***15,209,362***	***16,047,728***
Current liabilities				
Short-term loans	*21*	*42*	*800.000*	*3,943,232*
Trade payables and other debts, including derivatives	*21*	*43*	*4,550,552*	*4,603,177*
Deferred income	*4*	*44*	0	347,699
Provisions	*22*	*45*	24,841	24,841
Deferred tax liabilities		*46*	0	0
Total Current liabilities		**47**	**5,375,392**	**8,918,949**
Total Liabilities		**48**	**20,584,754**	**24,966,677**
Total Equity and Liabilities		**49**	**252,370,130**	**259,717,116**

CHAIRMAN OF THE BOARD OF DIRECTORS
NARCISA MOSOIU

CHIEF FINANCIAL OFFICER
DANIELA TUDOR

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

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

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

CHAIRMAN OF THE BOARD OF DIRECTORS

NARCISA MOSOIU

CHIEF FINANCIAL OFFICER

DANIELA TUDOR

TURISM, HOTELURI, RESTAURANTE MAREA NEAGRA S.A.

STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED AT 31 DECEMBER 2017

(All amounts are presented in RON)

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

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

CHAIRMAN OF THE BOARD OF DIRECTORS
NARCISA MOSOIU

CHIEF FINANCIAL OFFICER
DANIELA TUDOR

NOTE 1 – REPORTING ENTITY

The present financial statements are separate financial statements, in accordance with IAS 27.4.
Turism, Hoteluri, Restaurante Marea Neagra S.A.(the "Company") is a company founded in 1991 that works in Romania in accordance with Law 31/1990 on companies and Law 297/2004 on the capital market.

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

The company is headquartered in Mangalia, Lavrion Street, no. 29, Zip code 905500
Contact details of the company are:

Telephone: 0241752452
Fax: 0241755559
Website: www.thrmareaneagra.ro
e-mail: thrmareaneagra@yahoo.com

Unique registration code in the Trade Register: 2980547
Fiscal registration code: RO 2980547
Number of Registered business: J 13/696/1991

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

The company operates in Romania, being present on other geographic markets.
Regulated market where the issued securities are traded: Bucharest Stock Exchange (market symbol: EFO).
Subscribed and paid up share capital: 57,894,993.9 RON divided in 578,949,939 shares. In reporting the years there have been no changes in the number of shares. Of the total shares issued and outstanding at 31.12.2017:

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

NOTE 1 – REPORTING ENTITY (CONTINUED)

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

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

Registered office of S.I.F. TRANSILVANIA S.A. is: Brasov, Nicolae Iorga Street, no.2, Brasov County.
Group's consolidated financial statements of SIF Transilvania SA can be obtained from the registered office.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

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

These financial statements are separate financial statements of the Company.
The accruals principle and the going concern principle have been applied when preparing these financial statements
The company has prepared the annual financial statements for the year ended 31 December 2017 in accordance with International Financial Reporting Standards as adopted by European Union, applicable to companies whose securities are admitted to trading on a regulated market, according to the Order of the Minister of Finance no. 881/2012 regarding the application of International Financial Reporting Standards by companies whose securities are admitted to trading on a regulated market and the Order of the Minister of Finance no. 2844/2016 approving the Accounting Regulations in accordance with International Financial Reporting Standards applicable to companies whose securities are admitted to trading on a regulated market, including subsequent amendments and additions.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

The financial statements have been authorized for issue by the Board of Directors on March 15, 2018.

In accordance with IAS 29 and IAS 21, the separate financial statements of an entity whose functional currency is the currency of a hyperinflationary economy should be presented in the current unit to the date of the financial statements, therefore non-monetary items should be restated using a general price index which was given at the date of acquisition or contribution. IAS 29 stipulates that an economy is considered hyperinflationary if, among other factors, the cumulative inflation exceeds 100% over a period of 3 years.
In consequence, at 31.12.2015 the Company proceeded to reprocess the subscribed share capital according to IAS 29, by reconstructing the evolution of the subscribed share capital and the limitations from the registration until 2003 (mentioning the exact date and source) with the application of inflation index.

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

Basis of valuation
The separate financial statements are prepared using the cost method, except land and buildings which are revalued at fair value. Fair value method is applied, except for assets or liabilities for which the fair value cannot be determined reliably.
Valuation of assets and liabilities was made as:

- **Inventories** are valued at the lower value between cost and net realizable value**.**
- **Tangible assets** are measured initially at:
  - i) The acquisition cost, for those acquired for consideration;
  - ii) The input value, for those received as a contribution in kind to the establishment of share capital or increase of share capital;
  - iii) At fair value at the acquisition date, for those received as free of charge.

  For subsequent recognition, the Company has adopted the revaluation model.
-

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- **Intangible assets** are initially measured at cost. After recognition, intangible assets are accounted based on the cost model**,** at cost less any accumulated depreciation and any accumulated impairment losses.
- **Investment properties (buildings and land)** are determined at the fair value by an independent evaluator by :
    1. determining replacement value;
    2. estimating accrued depreciation;
    3. determination of the remaining value of construction ;
    4. direct comparison method by reference to market prices in a similar and comparable in area.
- **Financial investments** are recognized at cost.
- **Non-current assets held for sale** are measured at the lower value of carrying amount and fair value less cost to sell.
- **Cash and cash equivalents** are presented in the balance sheet at cost.

Use of estimates and judgments

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

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

Changes in estimates, by their nature are not related to prior periods and are corrections of errors.
As an exception to the presentation of the effect of the change in estimate shown above, if such a change gives rise to changes in assets and liabilities or capital, the effect of this change will be presented through an adjustment of assets, liabilities or equity in the period in which the change has taken place.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

2.2 General aspects of applied accounting policies

If a standard or an interpretation specifically applies to a transaction, other event or condition, accounting policies applied to that element, it is chosen by applying the standard or interpretation in question, considering any implementation guide issued by the IASB for the standard or interpretation in question.
The accounting policies are consistently applied to transactions, other events and similar conditions, except when a standard or an interpretation requires or permits the classification of categories, for which different policies may apply to the previous.
Changing an accounting policy is permitted only under the following conditions:

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

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

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

2.3 Standards and interpretations available in the current period

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

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

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

IAS 1	Presentation of financial statements	Fundamental Accounting Principles, structure and content of financial statements, mandatory posts and the concept of true and fair view, completed with amendments applicable from 1 January 2013.
IAS 2	Inventories	Defining of the accounting process applicable to inventories in the historical cost system: evaluation (first in - first out, weighted average cost and net realizable value) and the perimeter of allowed costs.
IAS 7	Statement of Cash Flows	Analysis of cash variations, classified into three categories: cash-flows from operating activities, cash-flows from investing activities, cash-flows from financing activities.
IAS 8	Accounting policies, Changes in Accounting Estimates and Errors	Defining the classification, the information that need to be disclosed and accounting treatment of certain items in the income statement.
IAS 10	Events after the reporting period	Requirements for when events after the end of the reporting period should generate an adjustment to the financial statements: definitions, terms and conditions, particular cases (dividends).
IAS 12	Income Taxes	Definition of tax accounting processing on the period result and detailed stipulations on deferred taxes, supplemented by amendments applicable from 1 January 2013
IAS 16	Property, plant and equipment	Accounting treatments, net book value calculation and relevant principles regarding depreciation for most types of property, plant and equipment.

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.

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.

IAS 37	Provisions, Contingent Liabilities and Contingent Assets	Defining provisions and approach of estimating provisions, individual cases examined (including the problem of restructuring).
IAS 38	Intangible Assets	Definition and accounting treatments for intangible assets, recognition and measurement policies on the processing costs for research and development etc.
IAS 39	Financial Instruments: Recognition and Measurement	Recognition and measurement principles regarding financial assets and liabilities, the definition of derivatives, hedge accounting operations, the issue of fair value etc.
IAS 40	Investment Property	Establishing the evaluation method: fair value model or cost model, transfers between different categories of assets etc.
IFRS 1	First-time Adoption of International Financial Reporting Standards	The procedures for financial statements according to IAS / IFRS optional exemptions and mandatory exceptions to retrospective application of IAS / IFRS, supplemented by amendments applicable from 1 January 2013.
IFRS 5	Non-current Assets Held for Sale and Discontinued Operation	Defining an asset held for sale and discontinued operations, and the evaluation of these elements.
IFRS 7	Financial Information: Disclosures	Financial information related to financial instruments are referring primarily to: (i) information about the significance of financial instruments; and (ii) information about the nature and extent of risks arising from financial instruments, supplemented by amendments applicable from 1 January 2013.
IFRS 10	Consolidated Financial Statements	Establishing principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities.

IFRS 11	Joint Arrangements	Establishing principles for financial reporting for entities that hold interests in jointly controlled commitments.
IFRS 12	Disclosure of Interests in Other Entities	Requires an entity to disclose information that will enable users of its financial statements to evaluate: the nature and risks associated with interests held in other entities; and the effects of those interests on the financial position, financial performance and its cash flows.
IFRS 13	Fair value measurement	The definition of fair value, establishing, in a single IFRS, a framework for measuring fair value, requiring the presentation of information on fair value.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3.1 Foreign currency translation

Presentation currency and functional currency

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

Transactions and balances

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

The exchange rates of major foreign currencies were:

	31 December 2017	31 December 2016
EUR	4.6597	4.5411
USD	3.8915	4.3033

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

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

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

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

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

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3.2 Property, plant and equipment

Measurement at recognition

An item of property, plant and equipment that qualifies for recognition as an asset, is measured at cost.
Tangible assets are initially measured at cost (those acquired for consideration), or at the input value (those received as a contribution in kind to the establishment of share capital or increase of share capital), respectively at fair value at acquisition date (those received as free of charge).

Evaluation after recognition

For subsequent recognition, the Company has adopted the revaluation model.
The value of the revalued asset is its fair value at the date of revaluation. Revaluations shall be made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the balance sheet date. Revaluations are performed by independent appraisers certified by ANEVAR.
Revalued amount (in addition) substitutes the acquisition cost.

If a revaluation results in an increase in value, it should be credited to other comprehensive income and accumulated in equity under the heading "revaluation surplus" unless it represents the reversal of a revaluation decrease of the same asset previously recognized as an expense, in which case it should be recognized in profit or loss. [IAS 16,39]
A decrease arising as a result of a revaluation should be recognized as an expense to the extent that it exceeds any amount previously credited to the revaluation surplus relating to the same asset. [IAS 16,40]
The revaluation surplus included in equity in respect of an item of property and equipment is transferred directly to retained earnings when the asset is derecognized.It involves the transfer of the entire surplus when the asset is retired or disposed of.Transfers from revaluation surplus to retained earnings is not made through profit or loss.

Amounts paid or payable, generated daily repairs and maintenance of tangible assets are recorded at cost-owned company under accrual accounting properly influencing the income statement for the period.
Amounts paid or payable generated by operations leading to increasing the value and / or the life, property and equipment owned by upgrading or those operations that lead to a significant improvement of the technical parameters, the growth potential of generating benefits economical by them, is capitalized (properly increase the carrying value of the respective assets).

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Depreciation

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

Depreciation is calculated at book value (acquisition cost or revalued amount), less the residual value, using the straight-line method, over the estimated useful life of the assets. The depreciation is charged monthly to the statement of other comprehensive income. Depreciation of an asset begins when it is available for use, when it is in the location and condition necessary for it to function in the manner intended by management. Depreciation of an asset ceases at the earlier of the date the asset is classified as held for sale (or included in a disposal group that is classified as held for sale) in accordance with IFRS 5 and the date when he 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	
	2017	**2016**
Buildings	50	50
Other equipment, furniture and other changes	as far as 12	as far as 12
Vehicles	as far as 14	as far as 14

Impairment of tangible assets

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

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

At each reporting date, the entity should check if there are indicators of impairment of assets. If such indicators are identified, the entity shall estimate the recoverable amount of the asset.
If the carrying amount of an asset is decreased as a result of a revaluation, the decrease is recognized in the profit or loss. However, the reduction is recognized in other comprehensive income to the extent that the revaluation surplus shows a credit balance for the asset. Reduction recognized in other comprehensive income reduces the amount accumulated in equity under the heading of revaluation surplus.

Derecognition

The carrying amount of a fixed asset shall be derecognized:

(a) when disposed, or

(b) When no future economic benefits are expected from its use or disposal.

The gain or loss arising from the derecognition of a fixed asset shall be included in profit or loss when the item is derecognized.
Gains shall not be classified as revenue.

2.3.3 Intangible assets

Recognition and measurement

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

Recognition criteria:

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

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

For intangible assets acquired free of charge or for symbolic consideration through a government grant, the entity recognizes the asset initially at nominal value plus any costs directly attributable to preparing the asset for its intended use.
Intangible assets according to generally accepted regulations cannot be acquired through exchange of assets, which are treated as separate deliveries.

Recognition of expenses

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

Evaluation after recognition

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

Amortization

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

2.3.4 Cash and cash equivalents

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

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3.5 Trade receivables

Trade receivables are categorized as financial assets.

A financial asset is recognized in the statement of financial position when, and only when the company becomes part of the certain contractual terms of the instrument.
Trade receivables are carried at original invoice amount less allowance (impairment test) recognized for doubtful receivables. The amount of the trade receivables allowance is calculated as difference between the carrying amount and the recoverable amount.

2.3.6 Financial assets and liabilities

Classification

The Company classifies financial instruments held in the following categories:

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

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

Investments held-to-maturity

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

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Loans and receivables

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

Financial assets held for sale

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

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

Recognition

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

Amortized cost measurement

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

Fair value measurement

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

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair value measurement assumes a transaction taking place in the active market for the asset or liability. A financial instrument is traded on an active market, if quoted price are available quickly and regularly for that certain financial instrument. Financial assets available for sale for which there is not an active market and for which it is not possible to determine a fair value, are measured at cost and annually tested for impairments.
For all other financial instruments, fair value is determined using valuation techniques. Valuation techniques include techniques based on the net present value, discounted cash flow method, the method of comparison to similar instruments for which there is an observable market price and other evaluation methods.

Identification and measurement of impairment

Financial assets measured at amortized cost
An entity is required to assess at each balance sheet date whether there are any indicators of impairment. A financial asset or group of assets is impaired, only if there are indicators of impairments as a result of one or more events that occurred after the initial recognition of the asset ("loss generating event"), and these events have an impact of the future cash-flows generated from the asset or from the group of assets, which can be measured reliably.
If any such impairment indicators exist, the entity is required to perform a detailed impairment calculation to determine whether any impairment should be recognized or not. The impairment should be amounted to the difference between the asset's carrying amount and the net present value of estimated discounted cash flows using the initial effective interest rate.

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

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

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Available-for-sale financial assets

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

If such indicators of impairment exist for the available-for-sale financial assets, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in profit or loss - is removed from other comprehensive income and is recognized in profit or

loss. Impairment losses recognized in the income statement and within equity instruments are not reversed through profit or loss. If, in a subsequent period, the amount fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the loss was recognized in profit or loss, the impairment loss is reversed through profit or loss.

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

Derecognition

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

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

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

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3.7 Employee Benefits

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

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

2.3.8 Income tax

Recognition of current tax assets and liabilities
The current tax liability for the reporting period and prior periods is recognized to the extent that it is not paid.
If the amounts paid in current period and in prior periods exceeds the amount due for those periods, the excess is recognized as current tax asset.
Benefits relating to a tax loss that can be transferred in order to recover income tax of a previous period is recognized as current tax asset.

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

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

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The main temporary differences arise from the following operations:

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

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

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

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

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

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

2.3.9 Specific activity tax

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

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3.10 Provisions

Provisions are liabilities of uncertain timing or amount.

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

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

a) recognize a reimbursement only if it is certain that it will take place if the company will fulfill its obligations and the amount recognized for a reimbursement will not exceed the provision;

b) recognize the amount refunded as a separate asset. In statement of comprehensive income, expenditure related to a provision may be presented after the recognized amount of repayment was decreased.

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

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

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

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

2.3.11 Recognition of income

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

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

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

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

collected on behalf of the principal and which do not result in increases in equity for the entity. The amounts collected on behalf of the principal are not revenues, instead revenues are represented by commissions.

Revenues from rendered services are accounted as the services are rendered. The provided services include the execution of works and any other operations that cannot be considered as delivery of goods. The stage of completion of the work is determined based on the situation of works that accompany the invoices, records receptions or other evidence regarding the stage of completion and services reception. For recognition is required to exist the probability that the economic benefits associated with the transaction will flow to the company, the final stage of the transaction at the end of the period and the costs incurred for the transaction and those for completion of the transaction can be measured reliably.
Interest incomes are recognized using the effective interest method proportional to the relevant period of time, based on the principal and the effective rate over the period to maturity or shorter period if it binds transaction costs, it is established that the company will obtain such income. When unpaid interest has accrued before the acquisition of an interest-bearing investment, the subsequent receipt of interest is allocated between pre-acquisition and post-acquisition; only the post-acquisition portion is recognized as revenue.
Income from financial assets, respectively dividends receivable from entities in which the Company holds equity, are recognized in the financial statements of the Company in the financial year when they are approved by the General Meeting of each entity.
The nominal value of shares that are received free of charge is also recorded as income from financial assets, as a result of direct incorporation of the profit for the last period in the equity of an entity in which shares are held.
Shares received free of charge after the issuer's share capital increases, increases made by incorporating the current year profit are accounted for as dividend income to the nominal value (cost), which were later recognized at fair value.
Income derived from the sale / disposal of investments held are recognized at the time when their ownership is transferred from the seller to the buyer, using settlement date accounting.
Revenues from sales of shares are recognized on a gross basis (transaction amount), and those resulting from transactions with short-term financial investments are recognized on a net basis (difference between the sales and cost).

2.3.12 Dividend Payment

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

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3.13 Activity segments

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

2.3.14 New international standards not applied by the Company

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

- IFRS 9 *Financial Instruments* incorporating requirements for classification and measurement, impairment, general hedge accounting and derecognition of financial instruments, published in July 2014 with the entry date on or after 1 January 2018. At European Union (EU) level, this standard has been approved and published in the Official Journal of the European Union on 29 November 2016.
- IFRS 14 applies to a company's first annual financial statements in accordance with IFRS, starting from 1 January 2016 or after. IFRS 14 was published in January 2014. In the EU, this standard was not yet approved.
- IFRS 15 applies to a company's first annual financial statements in accordance with IFRS starting from 1 January 2018 or after. IFRS 15 was published in May 2014 and it was approved in UE in September 2016 with the entry date on or after 1 January 2018.
- IFRS 16 Lease Contracts applies to a company's first annual financial statements in accordance with IFRS, starting from 1 January 2019 or after. IFRS 16 was published in January 13th, 2016. At the level of the European Union (EU), this standard has been approved and published in the Official Journal of the European Union on 9 November 2017.
- Amendments to IFRS 7 Financial Instruments: information provided in January 2017. At the European Union level, these are pending approval.
- Proposed amendments to IFRS 10 regarding the sale or contribution of assets between an investor and its associates or joint ventures, published in September 2014 with the entry date on or after 1 January 2016. In the EU, for the approval of this standard, a schedule has not been yet determined.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

NOTE 3 – OPERATING INCOME, LESS INCOME FROM ASSET SALES

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

Day-tourist

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

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

NOTE 3 – OPERATING INCOME, LESSINCOME FROM ASSET SALES

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

RON

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

RON

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

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

RON

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

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

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

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

Employee benefits expenses are presented as follows:

RON

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

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

The company has not contracted obligations of payment of pensions to former members of the Board of Directors, management and supervision therefore it has not accounted such obligations.

The Company has not granted and will not grant loans or advances (except for salary advances and/or delegation expenses) to the members of the Board and management. The Company has not booked such obligations at the end of 2017.

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

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

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

1	**Administrators**	**7**	**7**	**6**

The Company has not undertaken obligations for pension plans other than the one stated by Law no. 263/2010 on the unitary system of public pensions, with the subsequent updates. Compared to 2016, in 2017 the Company managed to maintain the average number of personnel both in structure and in whole, seasonal and permanent.

NOTE 6 - OPERATIONAL EXPENSES (EXCEPT EMPLOYEE BENEFITS)

RON

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

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

Starting from January 1st 2017, according to Law 170/ 2016 on the specific activities tax, the legal Romanian persons which on 31 December 2016 have simultaneously fulfill the conditions:
- They were entered in Articles of Association, as a principal or secondary activity one of the activities corresponding to CAEN 5510 - " Hotels and other accommodation facilities',
5520 - "facilities for accommodation for holidays and periods of short duration", 5530 - "Parks for caravans, camping and camps", 5590 - "Other accommodation services", 5610 - "Restaurants", 5621 - " Food services activities (catering) for events", 5629 - "Other food services activities", 5630 - "Bars and other a beverage serving activities";
- Which actually carries on activities in the areas referred to in the preceding subparagraph;
- Not in liquidation, according to the law, are liable to pay tax to specific activities.

The Company shall carry out their activities subject to specific activity tax (CAEN code 5510, 5610 and 5630) via:
- A number of 21 Hotel resort (hotel restaurant bar) with a capacity of the marketable production of 6,808 places of accommodation 4,952 places in restaurants and 674 seats in pubs/cafés;
- buffet with a capacity of 30 seats and a commercial area of 46 square meters.

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

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

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

Table no.1

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

Table no. 2

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

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

TABLE no. 3

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

TABLE no. 4

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

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

TABLE no. 5

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

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

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

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

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

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

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

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

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

RON

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

Earnings per share

Earnings per share is calculated by dividing the net profit attributable to shareholders of the Company for the financial year 2017 amounted to **2,943,006** RON (2016: profit 4,455,307RON) on weighted average number of ordinary shares in circulation to 578,949,939 adjusted with self-owned shares value. Diluted earnings per share is determined by adjusting net profit attributable to ordinary shareholders and the weighted average number of shares outstanding, adjusted with self-owned shares value, dilution effects of all potential ordinary shares.

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

Profit attributable to ordinary shareholders

RON

	31 December 2017	31 December 2016
Profit (loss) for the period	**1,691,836**	**4,455,307**
Profit (loss) for the period attributable to ordinary shareholders	1,691,836	4,455,307
Weighted average number of ordinary shares	578,949,939	578,949,939
Ordinary shares issued at 1 January	0	0
Effect of self -owned shares held	0	0
Weighted average number of ordinary shares at 31 December	578,949,939	578,949,939
Earnings per share (basic)	**0.0029**	**0.0077**
Profit attributable to ordinary shareholders (basic)	1,691,836	4,455,307
Convertible bonds interest expenses after tax	0	0
Profit attributable to ordinary shareholders (diluted)	1,691,836	4,455,307
Weighted average number of ordinary shares (diluted)	**578,949,939**	**578,949,939**
Weighted average number of ordinary shares (basic)	578,949,939	578,949,939
Effect of conversion of convertible bonds	0	0
Effect of share options issued	0	0
Weighted average number of ordinary shares (diluted) at 31 December	578,949,939	578,949,939
Earnings per share (diluted)	**0.0029**	**0.0077**

NOTE 8 - TANGIBLE NON-CURRENT ASSETS

RON

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

NOTE 8 - TANGIBLE NON-CURRENT ASSETS (CONTINUED)

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

NOTE 8 - TANGIBLE NON-CURRENT ASSETS (CONTINUED)

On 31.12.2015 the company made the last revaluation of tangible non-current assets.
The company revalued tangible non-current assets in the following years: 1999. 2002. 2003. 2005. 2007. 2009. 2011. 2012.
If the carrying amount of an asset is increased as a result of a revaluation, the increase shall be recognized in other comprehensive income and accumulated in equity under the heading of revaluation surplus. However, the increase shall be recognized in profit or loss to the extent that it reverses a revaluation decrease of the same asset previously recognized in profit or loss. If the carrying amount of an asset is impaired as a result of a revaluation, the decrease shall be recognized in profit or loss. However, the decrease shall be recognized in other comprehensive income to the extent that the revaluation surplus shows a credit balance for the asset. Reduction recognized in other comprehensive income reduces the amount accumulated in equity under the heading of revaluation surplus.
Revaluation differences recorded by the company on 31.12.2017 related assets located in its patrimony are **107,511,069** RON and cannot be distributed to shareholders
Taking into consideration the investments in year 2016, regarding some of the company's assets, investments that increased significantly their value, conducting to the improvement of the initial technical parameters, in accordance with. HG 2139/2004 relating to to the "Catalog concerning the classification and the useful life of fixed assets - Section III - "Further clarification ", the useful life was increased by 5 years, starting with January 1, 2017, as it follows:

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

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

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

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

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

Regarding tangible non-current assets, the company has no restrictions on the ownership title.
The company owns:
- all the presented assets,
- a total land area of **462,640.96** square meters, as:
    - 421,195.42 square meters based on ownership certificates issued by the Ministry of Tourism for: Saturn S.A., Venus S.A., Eforie Nord S.A., Eforie Sud S.A. and release and receipt protocol between Neptun - Olimp S.A. and Miorita Estival 2002 S.A.,
    - 17,278.70 square meters purchased from the City Hall Eforie North, under contracts of sale - buy,
    - 24,166.84 square meters following the exchange conducted with the City Hall Mangalia and Eforie North.

NOTE 8 - TANGIBLE NON-CURRENT ASSETS (CONTINUED)

Pledged, mortgaged and restricted assets

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

- Complex Hotel – Restaurant Sirena from Saturn and the land, in favor of BCR, guaranteed loan amount being 7,500,000 RON credit which must be repaid in June 2018, at 31.12.2017, all credit line being unused.
- Complex Hotel – Restaurant Balada from Saturn and the land, in favor of Unicredit Bank, guaranteed loan amount being 3,200,000 RON, credit which must be repaid in October 2020, at 31.12.2017, final balance 2,000,000 RON.

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

NOTE 8 - TANGIBLE NON-CURRENT ASSETS (CONTINUED)

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

RON

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

NOTE 9 - INTANGIBLE ASSETS

RON

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

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

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

All intangible assets are pointed in their cost value.

NOTE 10 – INVESTMENT PROPERTIES

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

RON

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

Assets classified as investment properties were evaluated by independent evaluators (IPIEV Consulting) in a corporate member of ANEVAR. with certificate number 0250 - 01/01/2016. The company's headquarter is located in Bucuresti. Nicolae Grigorescu Bvd. nr. 29A. bl. N22. sc. B. et. 4. ap.53. sector 3. Its trade registration number is J40 / 10356/2001 and it is a corporate member of ANEVAR certified by nr. 0250/01.01.2016.

The approaches used in the evaluation were: cost approach - replacement cost method and income approach – discounted future cash-flow method.

Analyzing all estimated values according to the approach. in the present case. the selected property value is obtained by the cost approach. given the purpose of the assessment made.

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

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

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

NOTE 10 – INVESTMENT PROPERTIES (CONTINUED)

In the year 2017 the following assets have emerged through reclassification:
- asset restaurant Rapsodia, by being classified as assets held for sale;
- the assets of kindergarten Hora and field tennis land improvement Apollo, returning into the category of tangible assets, without obtaining rental income in the last 2 years.

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

RON

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

NOTE 11 – FINANCIAL ASSETS

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

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

RON

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

NOTE 11 – FINANCIAL ASSETS (CONTINUED)

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

RON

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

Balneoterapia Saturn SRL has a share capital of 2,000 RON, comprising 20 shares and has the Registered office: Lavrion Street, no. 29. Mangalia, Constanta.
Transilvania Hotels&Travel SA has a share capital of 7,586,120 RON, comprising 3,034,448 shares with a nominal value of 2.5RON/share and has the registered office: Maria Rosetti Street, No. 35, branch 2, Bucuresti.

NOTE 12 – INVENTORIES

RON

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

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

NOTE 13 – RECEIVABLES

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

RON

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

The Company's receivables consist mainly of tourism services in amount of 2,721,244 RON adjusted to 1,219,460 RON representing an older debt related to the services offered by Rugby Club Constanta as well as state budget receivables represented by VAT to be recovered in amount of 3,180,194 RON (due to investments and purchases made).

NOTE 13 – RECEIVABLES (CONTINUED)

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

RON

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

NOTE 14 - ACCRUED EXPENSES

RON

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

NOTE 15 - CASH AND CASH EQUIVALENTS

RON

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

NOTE 16 –NON-CURRENT ASSETS HELD FOR SALE

RON

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

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

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

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

RON

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

Income from disposal of non-current assets held for sale were included on line 5 of the statement of profit or loss and other comprehensive income and disposal expenses of assets held for sale were presented in row 13 form the statement of comprehensive income.
Assets classified as held for sale were revalued during year 2017 with tangible assets. but after evaluation resulting values were higher than the carrying amount, therefore they were reflected in books at their carried value that become the fair value. The assets classified as held for sale have been assessed, a part of them in the course of the year 2017, and other have been valued at 31.12.2017, the resulting values being higher than the value recorded in the accounts, with the exception of the restaurant/garden Rapsodia in Eforie Nord whose assessed has been smaller than that of recorded in the accounts, resulting in this case a loss which has been recognized in the profit and loss account. Shown in the accounts of other assets held for sale has been effectuated at book value.

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

The subscribed and paid up share capital is amounted to 57,894,993.9 RON divided into a number of 578,949,939 shares. During the reporting periods subscribed and paid in share capital did not change.
Of the total number of shares issued and outstanding at December 31, 2017 and December 31. 2016:

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

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

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

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

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

The Company has no employee stock grant schemes and there are no restrictions on voting rights. It also has no knowledge of agreements between shareholders which may result in restrictions on the transfer of securities and / or voting rights.
THR Marea Neagră S.A. shares are listed on the second category of Bucharest Stock Exchange starting from 15 august 2002 with symbol "EFO". In the last trading day of 2017, 29.12.2017, the closing price of EFO was 0.098 RON/share compared to 0.0826 RON/share at 31.12.2016.

RON

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

The revaluation surplus refers to property and plant of the company and it was generated by the revaluations of tangible non-current assets in the years of 1999, 2002, 2003, 2005, 2007, 2009, 201, 2012 and 2015.
Revaluation differences were reduced in 2017 on account of assets sold, scrapped or returned and transferring it to retained earnings.

NOTE 19 - RETAINED EARNINGS

RON

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

NOTE 20 - OTHER ELEMENTS OF EQUITY

RON

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

NOTE 21 - LIABILITIES. OTHERS THAN DEFERRED INCOME

RON

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

Short-term liabilities consist primarily of performance guarantees granted by entrepreneurs in the amount of 2,158,066 RON, wages and related contributions in the amount of 252,900 RON for the month of December 2017, specific activity taxes amounted to146,756 RON due to 25th January 2018, administration warranties in amount of 198,284 RON, shareholders dividends in amount of 421,192 RON, from deferred tax and from a short term investment credit in amount of 800,000 RON.

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

RON

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

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

NOTE 22 - PROVISIONS

The Company has not undertaken obligations for pension plans other than the one stated by Law no. 263/2010 on the unitary system of public pensions, with the subsequent updates. The collective labor agreement signed for 2016 stipulates a retirement bonus of a gross salary. For the retirement bonuses to be paid in 2017. the company estimated a provision.
At December 31 2017 the Company had established the following provisions:

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

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

RON

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

NOTE 23 - RELATED PARTIES TRANSACTIONS

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

RON

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

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

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

NOTE 23 - RELATED PARTIES TRANSACTIONS (CONTINUED)

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

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

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

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

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

- outstanding balances by receivables and payables between related parties are related commercial transactions are conducted under terms and conditions similar terms and conditions which were accepted by third parties and are not guaranteed,
- we cannot provide additional information on guarantees given or received as it was not appropriate to represent,

- we didn't set up adjustments for impairment regarding the doubtful receivables and we have not written down any irrecoverable receivables from related parties because it was not the case.

NOTE 24 –CONTINGENT ASSETS AND CONTINGENT LIABILITIES

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

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

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

The company is involved in a litigation with the City Hall Mangalia therefore tax audit conducted by the 2008-2012 period, inspection completed by the tax inspection report nr.57355 / 11.10.2015 under which were issued two decisions to impose, in total amount of 7,604,311.45 RON.
The execution of those two decisions was suspended by the Court of Appeal Constanta - file nr.776 / 118/2015 and the suspension effects subsist until the settlement of the substantive judicial action that THR will promote and which will take the annulment of decisions to impose.

The company recognized and estimated that the amount due of 1.577.262 RON represents:
i) tax additional buildings in the amount of 482,520 RON representing taxation of buildings without a reduction of 50% granted by Article 285 paragraph 2 of the Tax Code,
ii) additional land tax in the amount of 253,029 RON representing taxation without the 50% discount granted by Article 285 paragraph 2 of the Tax Code,
iii) penalties related to buildings and land tax established additional by monitoring body in the amount of 841,713 RON.

For the difference between the amount of buildings and land tax additional established by the control body and that recognized by society, there was requested and received erratum in the evaluation reports prepared by Preciss CONSULTING SRL 31.12.2007. 31.12.2009. 31.12.2011 and 31.12 .2012 specifying that the fair value of the buildings included at the time of assessments the value of installations, functional facilities or modernizations made to the buildings referred to until the time of reassessment, which leads to the conclusion that there are additional risks to society.
The Company also has an ongoing litigation:
- with the City Eforie following a tax inspection for the amount in dispute up to 73,260 RON.
- with travel agency Mareea Comtour SRL for debt recovery of 1,191,170RON, representing touristic services offered by Society to the tourist arrived through Mareea Comtour SRL agency plus penalties;
- with Carja Vasile for canceling his demands regarding the refund from the Company of the amounts given in behalf of the selling-buying contract having as object Flora Vila and the improvement operated on the Vila.

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

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

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

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

NOTE 26 - SIGNIFICANT RISK MANAGEMENT POLICY

The company’s specific activity determine the company's exposure to a variety of general risk, but also specific risks and financial market on that operates.
Risk is defined as the possibility of unfavorable deviations to arise against expected levels due to random fluctuations.
Significant risks have a high impact on the Company.
The purpose of risk assessment is to identify the significance level and effects of the risks assumed by the company in investment activity.
In their activity, the company may face uncontrollable risks, which are generally associated with external factors such as macroeconomic conditions, legislative changes, Changes in the competitive environment etc.
Usually, however, the company faced controllable risks, for which adopted active management policies and procedures (analysis, monitoring and control).
These risks are associated with internal invoices and nature of activity, the complexity of the organizational structure, quality of staff etc.

NOTE 26 - SIGNIFICANT RISK MANAGEMENT POLICY (CONTINUED)

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

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

Exchange rate risk

The company is easily exposed to the fluctuations of exchange rate, mainly in the case of foreign currency current accounts, receivables and liabilities in other currencies. and receivables and liabilities in RON, but which on contracts are strengthened in relation to other currencies usually in EURO and / or USD.
The company has not used and not used at this time derivatives to protect the RON exchange rate fluctuations relative to other currencies.

Interest rate risk

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

Credit risk

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

Liquidity risk

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

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

NOTE 26 - SIGNIFICANT RISK MANAGEMENT POLICY (CONTINUED)

An analysis of assets and liabilities has been made. based on the remaining period from the balance sheet date to the contractual maturity date for the financial year 2017. as:

RON

Explanation	Note	Book value	Under 3 months	Between 3 and 12 months	Over 1 year	Indefinite maturity
Assets						
Cash and cash equivalents	15	4,439,143	4,439,143	0	0	0
Trade receivables and other receivables	13	6,273,471	1,534,708	3,180,194	453,572	1,104,997
Inventories	12	442,128	0	437,532	4,596	0
Other current assets		782,016	135,809	354,763	291,444	0
Non-current assets including non-current assets held for sale		240,433,371	0	0	0	240,433,371
Total assets		**252,370,129**	**6,109,660**	**3,972,489**	**749,612**	**241,538,368**
Liabilities						
Provisions	22	433,969	0	0		433,969
Trade payables and other payables	21	20,150,785	4,122,166	1,228,386	1,639,735	13,160,498
Deferred income (Grants)		0	0	0	0	0
Total liabilities		**20,584,754**	**4,122,166**	**1,228,386**	**1,639,735**	**13,594,467**
						0
Liquidity surplus in the period		**231,785,375**	**1,987,493**	**2,744,103**	**(890,123)**	**227,943,901**
Cumulative liquidity surplus		**231,785,375**	**1,987,493**	**4,731,596**	**3,841,473**	**231,785,375**

NOTE 26 - SIGNIFICANT RISK MANAGEMENT POLICY (CONTINUED)

Capital management

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

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

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

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

Operational risk

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

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

NOTE 27 –SUBSEQUENTEVENTS

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

NOTE 28 - BOARD OF DIRECTORS PROPOSAL FOR ALLOCATING NET PROFIT

At the end of 2017 the Company registers

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

- a net profit of **1,691,836** RON which the Board of Directors proposed to be distributed as follows:

- The legal reserve in accordance with art. 183 of the Companies Law 31/1990. republished:	110,647.00 RON,
- Distribution of dividends to shareholders	741,711.59 RON,
- Allocation fund development	839,477.41 RON,

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

CHAIRMAN OF THE BOARD OF DIRECTORS	CHIEF FINANCIAL OFFICER
NARCISA MOSOIU	DANIELA TUDOR

TURISM, HOTELURI, RESTAURANTE MAREA NEAGRA S.A.

CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2017

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

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

TURISM, HOTELURI, RESTAURANTE MAREA NEAGRA SA
STATEMENT OF CONSOLIDATED PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

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

For the financial year ended at 31 December	Note	Row	(RON) 2017	(RON) 2016
Continuing operations				
Income from accommodation		1	*21,016,132*	*20,160,054*
Income from catering		2	*10,128,015*	*10,617,463*
Rental income		3	*606,151*	*1,169,102*
Other income included in turnover		4	*3,104,123*	*3,439,483*
Income from disposals of tangibles and non-current assets held for sale		5	*1,382,160*	*10,919,946*
Other income		6	*2,749,096*	*1,868,293*
Revenues associated with the costs of the completed production		7	*0*	*0*
Total Operational Income		8	**38,985,678**	**48,174,341**
Expenses related to inventories		9	*6,225,155*	*6,971,502*
Utility expenses		10	*2,279,987*	*2,579,857*
Employee benefits expense		11	*12,237,858*	*11,413,279*
Depreciation and amortization expenses		12	*7,268,161*	*7,266,785*
Expenses related to disposed fixed assets and assets held for sale		13	*712,351*	*5,895,660*
Other taxes		14	*3,257,647*	*3,332,924*

TURISM, HOTELURI, RESTAURANTE MAREA NEAGRA SA
STATEMENT OF CONSOLIDATED PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

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

For the financial year ended at 31 December	Note	Row	(RON)	(RON)
			2017	2016
Expenses related to external services		*15*	*3,583,838*	*4,614,157*
Other expenses		*16*	*1,289,070*	*162,965*
Total Operational expenses		***17***	**36,854,068**	**42,237,129**
The result of operational activities		***18***	**2,131,610**	**5,937,212**
Financial income		*19*	*160,920*	*197,465*
Financial expenses		*20*	*113,124*	*582,023*
Net financial result		***21***	**47,796**	**(384,558)**
Result before taxation		**22**	**2,179,406**	**5,552,654**
Current income tax expense		*23*	*42,274*	*1,182,409*
Specific activity tax		*24*	*293,512*	*0*
Deferred income tax expenses		*25*	*227,584*	*0*
Deferred income tax income		*26*	*0*	*29,269*
Result for continuing operations		**27**	**1,616,036**	**4,399,514**

TURISM, HOTELURI, RESTAURANTE MAREA NEAGRA SA
STATEMENT OF CONSOLIDATED PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

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

For the financial year ended at 31 December	Note	Row	(RON)	(RON)
			2017	2016
Other comprehensive income				
Increase/(decrease) of revaluation surplus		*28*	*(485,555)*	*(5,992,486)*
Tax related to other comprehensive income		*29*	*(38,458)*	*(461,725)*
Other comprehensive income after taxation		**30**	**(524,013)**	**(6,454,211)**
Total comprehensive income for the period		**31**	**1,092,023**	**(2,054,697)**
Earnings per share (RON/share)			0.0028	0.0076
Diluted earnings per share (RON/share)			0.0028	0.0076

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

CHAIRMAN OF THE BOARD OF DIRECTORS

NARCISA MOSOIU

CHIEF FINANCIAL OFFICER

DANIELA TUDOR

TURISM, HOTELURI, RESTAURANTE MAREA NEAGRA SA
STATEMENT OF CONSOLIDATED FINANCIAL POSITION

AS AT 31 DECEMBER 2017

(All amounts are presented in RON)

As at 31 December	Note	Row	(RON) 2017	(RON) 2016
Assets				
Non-current assets				
Tangible assets				
Freehold land and land improvements	8	1	59,734,338	83,615,615
Buildings	8	2	107,021,706	108,674,822
Plant and machinery, motor vehicles	8	3	9,295,115	11,493,125
Fixtures and fittings […]	8	4	9,547,939	11,082,477
Tangible assets in progress	8	5	991,285	1,355,732
Intangible assets		6		
Concessions, patents , licenses, trademarks , similar rights and assets		7	313,488	508,981
Other intangible assets	9	8	101,498	1,824
Trade receivables and other receivables		9	453,572	453,572
Investment property	8;10	10	17,191,112	16,350,751
Financial assets		11	2,432,010	2,432,010
Deferred tax assets		12	951,078	941,069
Total fixed assets		***13***	**208,033,140**	**236,909,978**
Current Assets				
Inventories	12	14	442,154	617,359
Financial assets	11	15	0	0
Current tax assets		16	38,336	2,972

TURISM, HOTELURI, RESTAURANTE MAREA NEAGRA SA
STATEMENT OF CONSOLIDATED FINANCIAL POSITION

AS AT 31 DECEMBER 2017

(All amounts are presented in RON)

As at 31 December	Note	Row	(RON) 2017	(RON) 2016
Trade receivables and other receivables	13	17	4,933,051	6,118,303
Accrued expenses	14	18	782,016	923,873
Cash and cash equivalents	15	19	5,635,805	7,777,716
Non-current assets held for sale	16	20	36,516,013	11,007,555
Total Current Assets		**21**	**48,347,375**	**26,447,778**
Total Assets		**22**	**256,380,515**	**263,357,756**
Equity				
Share capital	17	23	57,894,994	57,894,994
Capital adjustment following adoption of IAS 29 for the first time	17	24	85,945,333	85,945,333
Share premium	17	25	1,895,855	1,895,855
Reserves	18	26	26,881,973	26,451,693
Inflated reserves application of IAS 29 for the first time	18	27	16,745,901	16,745,901
Revaluation differences	19	28	107,559,706	108,045,261
Result for the period	19	29	1,616,036	4,399,514
Retained earnings except retained earnings from the adoption of IAS 29 for the first time	19	30	52,923,423	53,330,461
Retained earnings came following the application of IAS 29 for the first time	19	31	(102,691,275)	(102,691,275)
Other elements of equity	20	32	(12,690,908)	(12,895,836)
Total Equity		**33**	**236,081,038**	**239,121,901**

TURISM, HOTELURI, RESTAURANTE MAREA NEAGRA SA
STATEMENT OF CONSOLIDATED FINANCIAL POSITION

AS AT 31 DECEMBER 2017

(All amounts are presented in RON)

As at 31 December	Note	Row	(RON) 2017	(RON) 2016
Long-term liabilities				
Long-term loans		34	1,600,000	2,400,000
Trade payables and other liabilities, including derivatives	21	35	39,735	208,539
Accruals for employee benefits		36	0	0
Provisions	22	37	409,128	478,458
Deferred tax liabilities	7	38	13,160,564	12,960,795
Total Long-term liabilities		**39**	**15,209,427**	**16,047,792**
Current liabilities				
Short-term loans	21	40	800,000	3,943,232
Trade payables and other debts, including derivatives	21	41	4,265,210	3,872,289
Deferred income	4	42	0	347,699
Provisions	22	43	24,841	24,841
Deferred tax liabilities		44	0	0
Total Current liabilities		**45**	**5,090,051**	**8,188,061**
Total Liabilities		**46**	**20,299,477**	**24,235,853**
Total Equity and Liabilities		**47**	**256,380,515**	**263,357,756**

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

CHAIRMAN OF THE BOARD OF DIRECTORS
NARCISA MOSOIU

CHIEF FINANCIAL OFFICER
DANIELA TUDOR

TURISM, HOTELURI, RESTAURANTE MAREA NEAGRA SA
STATEMENT OF CONSOLIDATED CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED AT 31 DECEMBER 2017

(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 2016	**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**
Adjustments after IAS 29 implementations	0	0	0	(5,992,486)	0	0	5,785,834	0	0	461,724	255,072
Reductions in output (sales, scraping, restitution)	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
Error corrections	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
Changes in the fair value of financial investments held for sale	0	0	0	0	0	0	0	0	0	0	0
Revaluation surplus	0	0	0	0	0	0	0	0	0	0	**0**
Balance at 31 December 2016	**57,894,994**	**85,945,333**	**1,895,855**	**108,045,261**	**26,451,693**	**16,745,901**	**53,330,461**	**(102,691,275)**	**4,399,514**	**-12,895,836**	**239,121,901**
Reductions in output (sales, scraping, restitution)	0	0	0	(485,556)	0	0	485,556	0	0	0	**0**
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	(757,865)	0	0	0	**(757,865)**

Transfer to reserves	0	0	0	0	319,633	0	(4,967,707)	0	1,616,036	315,575	(3,142,685)
Cancellation of past loss	0	0	0	0	110,647	*0*	4,833,608	0	(4,399,513)	(110,647)	860,318
Other comprehensive income	0	0	0	0	0	*0*	0	0	0	0	0
Change in fair value of financial investments held for sale	0	0	0	0	0	0	0	0	0	0	0
Revaluation surplus	0	0	0	0	0	0	0	0	0	0	**0**
Balance at 31 December 2017	**57,894,994**	**85,945,333**	**1,895,855**	**107,559,705**	**26,881,973**	**16,745,901**	**52,923,423**	**(102,691,275)**	**1,616,036**	**(12,690,908)**	**236,081,038**

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

CHAIRMAN OF THE BOARD OF DIRECTORS
NARCISA MOSOIU

CHIEF FINANCIAL OFFICER
DANIELA TUDOR

TURISM, HOTELURI, RESTAURANTE MAREA NEAGRA S.A.
STATEMENT OF CONSOLIDATED CASH FLOWS

FOR THE FINANCIAL YEAR ENDED AT 31 DECEMBER 2017

(All amounts are presented in RON)

Explanation	Row	2017	2016
Cash-flow	1		
+/- Profit or Loss	2	1,616,036	4,399,514
+ Depreciation included in cost	3	7,268,161	7,266,785
- Changes in inventories (+/-)	4	25,333,253	6,893,215
- Changes in receivables (+/-)	5	(1,450,894)	(6,095,447)
+ Variation of suppliers and Advance payments from customers(+/-)	6	217,813	(508,333)
- Variation other asset items (+/-)	7	(13,234,259)	2,987,042
+ Variation in other liabilities (+/-)	**8**	6,448,295	236,097
= Cash flow from operating activities (A)	9	**4,902,205**	**7,609,253**
+ Disposals of tangible non-current assets	10	1,515,619	10,919,946
- Purchase of tangible non-current assets	**11**	3,818,831	15,522,582
= Cash flow from investing activities (B)	12	**(2,303,212)**	**(4,602,636)**
+ Loans variation (+/-), as:	13	0	0
+short-term loans receivable	14	9,900,000	11,950,000
- refunds of short-term loans	15	9,900,000	10,291,943
+medium and long term loans receivable	16	0	3,200,000
-refunds of medium and long term loans	17	800,000	0
- Dividends paid	**18**	3,940,903	3,134,644
= Cash flow from financial activities (C)	**19**	**(4,740,903)**	**1,723,413**
+ Cash at beginning of the period	**20**	**7,777,715**	**3,047,686**
+ Net Cash Flow(A+B+C)	**21**	**(2,141,910)**	**4,730,030**
= Cash at the end of the period	**22**	**5,635,805**	**7,777,716**

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

CHAIRMAN OF THE BOARD OF DIRECTORS
NARCISA MOSOIU

CHIEF FINANCIAL OFFICER
DANIELA TUDOR

NOTE 1 – REPORTING ENTITY

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

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

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

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

The Group is headquartered in Mangalia, Lavrion Street, no. 29, Zip code 905500
Contact details of the Group are:
Telephone: 0241752452
Fax: 0241755559
Website: www.thrmareaneagra.ro
e-mail: thrmareaneagra@yahoo.com

Unique registration code in the Trade Register: 2980547
Fiscal registration code: RO 2980547
Number of Registered business: J 13/696/1991

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

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

Regulated market where the issued securities are traded: Bucharest Stock Exchange (market symbol: EFO).
Subscribed and paid up share capital: 57,894,993.9 RON divided in 578,949,939 shares. In reporting the years there have been no changes in the number of shares. Of the total shares issued and outstanding at 31.12.2017:

- 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.

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.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

The most significant changes brought to the financial statement prepared in accordance with RAS, to restate them to IFRS requirements adopted by the EU are:
- Incorporating more elements into more comprehensive categories;
- Reclassification of fixed assets into investment property and non-current assets held for sale;
- Recognizing deferred tax assets and deferred tax liabilities in accordance with IAS 12 "Income taxes"; and
- Presentation requirements in accordance with IFRS.

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

The financial statements have been authorized for issue by the Board of Directors on March 15, 2018.

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 :
  5. determining replacement value;
  6. estimating accrued depreciation;
  7. determination of the remaining value of construction ;
  8. 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.

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.

2.4 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.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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).

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.

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 2017	**31 decembrie 2016**
EUR	4.6597	4.5411
USD	3,8915	4.3033

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

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

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

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

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

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3.3 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).

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 he 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	
	2017	**2016**
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.

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

taxis 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:

iii) is not a business combination;

iv) 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 Specific activity tax

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

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3.10 Provisions

Provisions are liabilities of uncertain timing or amount.
Provisions are recognized when the 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.

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.

2.3.11 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.

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 acGroup the invoices, records receptions or other evidence regarding the stage of completion and services reception. For recognition is required to exist the probability that the economic benefits associated with the transaction will flow to the Group, the final stage of the transaction at the end of the period and the costs incurred for the transaction and those for completion of the transaction can be measured reliably.

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

Income from financial assets, respectively dividends receivable from entities in which the Group holds equity, are recognized in the financial statements of the Group in the financial year when they are approved by the General Meeting of each entity.
The nominal value of shares that are received free of charge is also recorded as income from financial assets, as a result of direct incorporation of the profit for the last period in the equity of an entity in which shares are held.

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

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

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

2.3.12 Dividend Payment

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

2.3.13 Activity segments

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

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3.14 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. At European Union (EU) level, this standard has been approved and published in the Official Journal of the European Union on 29 November 2016.
- IFRS 14 applies to a company's first annual financial statements in accordance with IFRS, starting from 1 January 2016 or after. IFRS 14 was published in January 2014. In the EU, this standard was not yet approved.
- IFRS 15 applies to a company's first annual financial statements in accordance with IFRS starting from 1 January 2018 or after. IFRS 15 was published in May 2014 and it was approved in UE in September 2016 with the entry date on or after 1 January 2018.
- IFRS 16 Lease Contracts applies to a company's first annual financial statements in accordance with IFRS, starting from 1 January 2019 or after. IFRS 16 was published in January 13th, 2016. At the level of the European Union (EU), this standard has been approved and published in the Official Journal of the European Union on 9 November 2017.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- Amendments to IFRS 7 Financial Instruments: information provided in January 2017. At the European Union level, these are pending approval.
- Proposed amendments to IFRS 10 regarding the sale or contribution of assets between an investor and its associates or joint ventures, published in September 2014 with the entry date on or after 1 January 2016. In the EU, for the approval of this standard, a schedule has not been yet determined.
- Amendments to IAS 12 regarding *Recognition of Deferred Tax Assets for Unrealised Losses*, published in January 2016 with the entry date on or after 1 January 2017. At European Union level these are in process of approval.
- Clarifications to IFRS 15 "Revenue from contracts with customers" born in April 2016 with effect from 1 January 2018. At EU level, these are pending approval. At European Union (EU) level, this standard has been approved and published in the Official Journal of the European Union on 9 November 2017.
- Amendments to IFRS 2: "Classifications and ratings of transactions relating to stock-based payments" arising in June 2016, with effect from 1 January 2018. At EU level, these are pending approval.
- Amendments to IFRS 4: "Application of IFRS 9 financial instruments IFRS 4 Insurance Contracts", which appeared in September 2014 with entry into force after 1 January 2018. At EU level, this standard has been approved and published in the Official Journal of the European Union on 9 November 2017.
- Amendments at IFRS 17 "Insurance contracts", published on 18 May 2017 with effect from 1 January 2021.
- IFRIC 22 "Foreign currency Transactions and advanced considerations" appeared in December 2016 with entry into force after 1 January 2018. At EU level, it is pending approval.
- Amendments at IFRIC 23 "Uncertainty over Income Tax Treatments" appeared in the 8 December 2016 with the entry into force after 1 January 2019.
- Amendments to IAS 40 "Investment property transfers" that appeared in 8 December 2016 with entry into force after 1 January 2018. At EU level, these are pending approval.
- Amendments at IFRS 9 "Prepayment Features with Negative Compensation", published on 12 October 2017 with the entry into force after 1 January 2019.
- Amendments at IAS 28 "Long-term interests in Associates and Joint Ventures" published on 12 October 2017 with the entry into force after 1 January 2019.
- Amendments at IAS 19 "Plan Amendment, Curtailment or Settlement" published in February 7, 2018 with the entry into force after 1 January 2019.

NOTE 3 – OPERATING INCOME, LESSINCOME FROM ASSET SALES

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

Day-tourist

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

As can be seen, in 2017 we achieved a tourism circulation of 382,535 of day-tourist, decreasing by 0.05% compared to the one recorded in 2016 and decreasing by 1.4% on the touristic traffic level used when budgeting the incomes and expenses for the year.

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

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

RON

Indicator	Financial year ended at 31 December 2017	Financial year ended at 31 December 2016	Index 2017/2016 (%)
Turnover, including	34,854,421	35,386,102	98.50%
Income from accommodation	*21,016,132*	*20,160,054*	104.25%
Income from catering	*10,128,015*	*10,617,463*	95.39%
Rental income	*606,151*	*1,169,102*	51.85%
Other income included in turnover	*3,104,123*	*3,439,483*	90.25%
Income from disposed fixed assets and non-current assets held for sale	1,382,160	10,919,946	12.66%
Other income	2,749,096	1,868,293	147.14%
Revenues associated with the costs of the completed production	0	0	
Total operational income	**38,985,678**	**48,174,341**	**80.93%**

RON

Deferred income	31 December 2017	31 December 2016	Indice 2017 / 2016 (%)
Investment subsidies	0	347,699	0%
Total investment subsidies	0	**0**	0%
Total deferred income	**0**	**347,699**	**0%**

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

RON

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

Income from disposed fixed assets for 2017 are result of selling the following:
- Restaurant Mercur in Eforie South- building and land;
- Heater in Neon in Eforie North - building;
- Land Hotel Sport in Eforie North;

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

Employee benefits expenses are presented as follows:

RON

Explanation	Financial year ended at 31 December 2017	Financial year ended at 31 December 2016
Salaries	9,341,474	8,978,821
Social security contributions	2,605,342	2,138,051
Provisions for employee benefits	0	0
Meal vouchers expenses	291,043	296,407
Total	**12,237,858**	**11,413,279**

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 2017	No, at 31.12.2017	Average number 2016
1	Permanent staff, showing separately:	117	117	125
	a) TESA staff	*41*	*44*	*46*
	b) Operative staff	*76*	*73*	*79*
2	Seasonal staff	20	245	271
3	**Total staff**	**137**	**362**	**396**

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.

NOTE 6 - OPERATIONAL EXPENSES (EXCEPT EMPLOYEE BENEFITS)

RON

No.	Operational Expenses	Financial year ended at 31 December 2017	Financial year ended at 31 December 2016
1	**Expenses related to inventories:**	6,225,155	**6,971,502**
1.1	*Raw materials and consumables expenses*	*2,353,662*	*2,866,811*
1.2.	*Materials in form of small inventories and packaging expenses*	*422,436*	*263,427*
1.3.	*Merchandise expenses*	*3,449,057*	*3,841,264*
2	**Utility expenses**	**2,279,987**	**2,579,857**
3	**Amortization/depreciation and impairment expenses of fixed assets**	**7,268,161**	**7,266,785**
4	**Expenses from disposed assets and non-current assets held for sale:**	**712,351**	**5,895,660**
5	**Other taxes, duties and similar expenses**	**3,257,647**	**3,332,924**
6	**External performance expenses**	**3,583,838**	**4,614,157**
7	**Other expenses**	**1,289,070**	**162,965**
8	**Total operational expenses (except employee benefits)**	**24,616,209**	**30,823,850**

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

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

- They were entered in Articles of Association, as a principal or secondary activity one of the activities corresponding to CAEN 5510 - " Hotels and other accommodation facilities',

5520 - "facilities for accommodation for holidays and periods of short duration", 5530 - "Parks for caravans, camping and camps", 5590 - "Other accommodation services", 5610 - "Restaurants", 5621 - " Food services activities (catering) for events", 5629 - "Other food services activities", 5630 - "Bars and other a beverage serving activities";

- Which actually carries on activities in the areas referred to in the preceding subparagraph;

- Not in liquidation, according to the law, are liable to pay tax to specific activities.

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

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

- buffet with a capacity of 30 seats and a commercial area of 46 square meters.

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

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

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

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

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

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

TABLE no. 3

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

TABLE no. 4

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

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

TABLE no. 5

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

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

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

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

No.	Explanation	THR Marea Neagră SA (RON)	Balneoterapia SRL (RON)
1	**Total income, of which:**	**8,848,107**	**2,582,427**
2	Non-taxable income	**1,512,631**	0
3	Items similar to income total, of which:	**291,586**	0
4	Taxable income	**7,627,062**	**2,582,427**
5	Total expenses, of which:	**8,615,805**	**2,315,953**
	Non-deductible expenses	*374,412*	*0*
	Income deffered tax expenses	51,386	0
6	**The difference between the accounting and tax depreciation**	**19,641**	**0**
7	Legal reserve tax profit	**283,688**	**266,474**
8	**Taxable profit / (tax loss)**	**(648,156)**	**266,474**
9	Legal reserve	**14,184**	0
10	**Tax profit due**	**0**	**42,274**

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

Earnings per share

Earnings per share is calculated by dividing the net profit attributable to shareholders of the Group for the financial year 2017 amounted to **1,616,036** RON (2016: profit **4,399,514** 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.

Profit attributable to ordinary shareholders

RON

	2017	**2016**
Profit (loss) for the period	1,616,036	4,399,514
Profit (loss) for the period attributable to ordinary shareholders	1,616,036	4,399,514
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)	**0.0028**	**0.0076**
Profit attributable to ordinary shareholders (basic)	1,616,036	4,399,514
Convertible bonds interest expenses after tax		
Profit attributable to ordinary shareholders (diluted)	1,616,036	4,399,514
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		
Effect of share options issued		
Weighted average number of ordinary shares (diluted) at 31 December	578,949,939	578,949,939
Earnings per share (diluted)	**0.0028**	**0.0076**

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, 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	(11,801,418)	(12,656,786)	(477,930)	(777,320)	(17,873,878)	**(43,587,332)**
Revaluation	0	0	0	0	0	**0**
Balance at December 31, 2016	**83,619,733**	**111,794,978**	**20,983,600**	**16,490,755**	**1,355,732**	**234,244,797**
Balance at January 1, 2017	**83,619,733**	**111,794,978**	**20,983,600**	**16,490,755**	**1,355,732**	**234,244,797**
Acquisitions	0	4,414,180	20,791	24,874	4,247,446	**8,707,291**
Reclassification of small inventory to fixed assets (Growth)	547,563	0			0	**547,563**
Disposals of non-current assets / Impairments	(24,428,840)	(2,852,666)	(30,624)	(3,923)	(4,611,894)	**(31,927,946)**
Balance at December 31, 2017	**59,738,456**	**113,356,492**	**20,973,767**	**16,511,706**	**991,286**	**211,571,704**
Depreciation and impairment losses						
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
Disposals of fixed assets	0	0	0	0	0	0
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**

NOTE 8 - TANGIBLE NON-CURRENT ASSETS (CONTINUED)

Description	Property	Plant	Equipment	Furniture and Fixtures	Work in progress	Total
Balance at January 1, 2017	**4,118**	**3,120,156**	**9,490,475**	**5,408,278**	**0**	**18,023,027**
Period depreciation	0	3,261,267	2,203,990	1,556,838	0	7,022,095
Impairment losses	0	(46,637)	(15,813)	(1,349)	0	(63,799)
Balance at December 31, 2017	**4,118**	**6,334,786**	**11,678,653**	**6,963,767**	**0**	**24,981,323**
Balance at January 1, 2016	**95,421,151**	**112,212,965**	**11,934,640**	**10,221,944**	**4,004,686**	**233,795,386**
Balance at December 31, 2016	**83,615,615**	**108,674,821**	**11,493,124**	**11,082,476**	**1,355,732**	**216,221,768**
Balance at January 1, 2017	**83,615,615**	**108,674,821**	**11,493,124**	**11,082,476**	**1,355,732**	**216,221,768**
Balance at December 31, 2017	**59,734,338**	**107,021,706**	**9,295,115**	**9,547,939**	**991,285**	**186,590,383**

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 31.12.2017 related assets located in its patrimony are 107,559,706 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)

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

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

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

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

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

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 462,640.96 square meters, as:

  - 421,195.42 square meters based on ownership certificates issued by the Ministry of Tourism for: Saturn S.A., Venus S.A., Eforie Nord S.A., Eforie Sud S.A. and release and receipt protocol between Neptun - Olimp S.A. and Miorita Estival 2002 S.A.,

  - 17,278.70 square meters purchased from the City Hall Eforie North, under contracts of sale - buy,

  - 24,166.84 square meters following the exchange conducted with the City Hall Mangalia and Eforie North.

Pledged, mortgaged and restricted assets

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

- Complex Hotel – Restaurant Sirena from Saturn and the land, in favor of BCR, guaranteed loan amount being 7,500,000 RON credit which must be repaid in June 2018, at 31.12.2017, all credit line being unused.

- Complex Hotel – Restaurant Balada from Saturn and the land, in favor of Unicredit Bank, guaranteed loan amount being 3,200,000 RON, credit which must be repaid in October 2020, at 31.12.2017, final balance of 2,400,000 RON.

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

NOTE 9 - INTANGIBLE ASSETS (CONTINUED)

In 2017, the main investment objectives achieved by the Group in amount of 4,424,384 were the following:

RON

No.	The investment objective	Value
1	Rehabilitation and installations execution of ventilation and air conditioning, ventilation and air conditioning system, painting walls, electrical installations and sanitary Hotel Cleopatra	980,510
2	Outside wall painting, electrical installations and sanitary R Brad, H Lidia, H Atena, H Cerna, H Mures, H Prahova, H Siret, H Capitol, R Balada, Balada Swimming Pool, R Venus, R Lidia, R Bega, R Hora, R Siret, R Sirena, R Prahova, H Raluca, R Aida, H Hora, H Vraja Marii	549,085
3	Fitting of 114 pieces of entry doors, carpet, work on the doors, electrical and sanitary installations at Hotel Balada.	375,116
4	Construction works, underlayment and other work R Cleopatra, BBB swimming pool, R.Orion, R Narcis, Pisicna Cleopatra, CT Vraja Marii, R.Capitol, H Gloria, GG Jupiter	296,170
5	Outside walls painting, sanitary installations Restaurant Cerna	254,778
6	Air condition rehabilitation, electrical and sanitary installation Hotel Sirena	227,050
7	Sanitary remedation, electrical and sanitary installations Hotel Aida	214,269
8	Ventilation and air condition rehabilitation, outside wall painting sanitary installation rehabilitation Hotel Bran	198,736
9	Ventilation and air condition rehabilitation, outside wall painting sanitary installation rehabilitation Hotel Brad	191,162
10	Ventilation and air condition rehabilitation, outside wall painting sanitary installation rehabilitation Hotel Bega	183,812
11	Underlayment and other work hotel Diana	146,246
12	Sanitary groups rehabilitation Hotel Tosca	113,049
13	Sanitary groups rehabilitation (8 sanitary groups) and other works, Hotel Venus	94,176
14	Outside walls painting and other electrical installation rehabilitation H Magura, Bai Reci Ef.Sud, Bufet Narcis, Spalatoria Saturn	86,803
15	Drawing board authorisation ISU R Lidia, H Lidia, R Sirena, R Balada, R Hora, R Narcis, H Sirena, H Narcis, H Hora, R Cleopatra, H Cleopatra, H Balada, R Brad, H Brad, H Bega, H Bran, R Bega, R Capitol, H Capitol si fire intervence scheme complex Narcis	55,302
16	Outside walls painting R Magura, R Minerva, R Sulina, R Dunarea, CP 3, Bakery Saturn, Raluca swimming pool	36,811
17	Economic Management system implementation Clarvision (program , server)	14,622
18	Playground improvements at swimming pool Cleopatra and Balada	10,622
19	Other upgrades	10,329
	TOTAL INVESTMNETS without VAT	**4,038,646**
	VAT	385,738
	TOTAL INVESTMENTS including VAT	**4,424,384**

NOTE 9 - INTANGIBLE ASSETS

RON

EXPLANATION	31 December 2017	31 December 2016
I) Book value of intangible assets:	**2,401,518**	**2,311,459**
Licenses + projects	1,729,643	1,721,834
Other intangible assets	671,875	589,625
II) Decreases (amortization):	**1,986,532**	**1,800,654**
Licenses + projects	1,416,155	1,212,853
Other intangible assets	570,377	587,801
III) Net book value	**414,986**	**510,805**
a) Licenses + projects	313,488	508,981
b) Other intangible assets	101,498	1,824

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.

NOTE 10 –INVESTMENT PROPERTY

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

RON

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

Assets classified as investment properties were evaluated by independent evaluators (IPIEV Consulting) in a corporate member of ANEVAR. with certificate number 0250 - 01/01/2016. The company's headquarter is located in Bucuresti. Nicolae Grigorescu Bvd. nr. 29A. bl. N22. sc. B. et. 4. ap.53. sector 3. Its trade registration number is J40 / 10356/2001 and it is a corporate member of ANEVAR certified by nr. 0250/01.01.2016.

The approaches used in the evaluation were: cost approach - replacement cost method and income approach – discounted future cash-flow method.

Analyzing all estimated values according to the approach. in the present case. the selected property value is obtained by the cost approach. given the purpose of the assessment made.

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

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

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

NOTE 10 –INVESTMENT PROPERTY (CONTINUED)

Fair value adjustments to assets classified as investment property in profit and loss at the end of 31.12.2017, and after evaluation:

RON

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

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.

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

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 of Transilvania Hotels&Travel SA being recognized at financial assets: RON

Company	Share capital %	31 December 2017	31 December 2016
Transilvania Hotels&Travel SA	32.059%	2,432,010	2,432,010

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 31.12.2017	Balance at 31.12.2017	Adjustments for depreciation 31.12.2017	Book value (RON) at 31.12.2017
Raw materials	0		0	0
Materials (without price differences and VAT)	430,763	38,304	469,067	600,335
Inventories	2,617	0	2,617	6,108
Finished goods	0	0	0	0
Raw materials and consumables at third parties	0	0	0	3,254
Merchandise	4,153	0	4,153	2,931
Packaging materials	4,621	0	4,621	4,621
Advances for inventories acquisitions	0	0	0	110
Total	**442,154**	**38,304**	**480,458**	**617,359**

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.

No	Name	Receivables at 31.12.2017	Allowances at 31.12.2017	Net book value of receivables 31.12.2017	Net book value of receivables 31.12.2016	Variation of receivables 2017/2016 (%)
1	Trade receivables and other receivable from which:	**4,933,051**	**(1,219,460)**	**6,152,511**	**6,118,303**	**80.63%**
1.1.	Trade receivables from which:	1,566,343	(1,219,460)	2,785,803	2,137,054	**73.29%**
	Transilvania Hotels & Travel SA	670,329	*0*	*670,329*	*445,762*	**150.38%**
1.2.	Receivables from state budget	3,227,959	0	3,227,959	3,884,928	**83.09%**
1.3.	Debtors active sales	0	0	0	31,585	**0.00%**
1.4.	Sundry debtors	216	0	216	18,885	**1.14%**
1.5.	Other receivables	138,533	0	138,533	45,851	**302.14%**
2	Current income tax	**38,336**	**0**	**38,336**	**2,972**	**0.00%**
3	Receivable assets	**453,572**	**0**	**453,572**	**453,572**	**100.00%**
4	Deferred tax assets	**951,078**	**0**	**951,078**	**941,069**	**101.06%**
	Total	**6,376,037**	**(1,219,460)**	**7,595,497**	**7,515,916**	**84.83%**

The Group's receivables consist mainly of tourism services in amount of 2,721,244 RON adjusted to 1,219,460 RON representing an older debt related to the services offered by Rugby Club Constanta as well as state budget receivables represented by VAT to be recovered in amount of 3,180,194 RON (due to investments and purchases made).

NOTE 13 – RECEIVABLES

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

Receivables	Total at 31.12.2017	Under 30 days	30-180 days	181-365 days	>1 year
Trade receivables and other receivable from which:	**6,152,511**	**151,976**	**1,540,612**	**205,336**	**4,254,587**
Trade receivables from which:	2,785,053	59,343	919,335	14,073	1,792,302
Transilvania Hotels & Travel SA	*670,329*	*772*	*225,964*	*0*	*443,593*
Receivables from state budget	3,227,959	27,081	589,410	191,263	2,420,205
Debtors active sales	0	0	0	0	0
Sundry debtors	216	0	67	0	149
Other receivable	139,283	65,552	31,800	0	41,931
Current income tax	38,336	38,336	0	0	0
Receivable assets	453,572	0	0	0	453,572
Deferred tax assets	951,078	10,009	0	0	941,069
Total	**7,595,497**	**200,321**	**1,540,612**	**205,336**	**5,649,228**

NOTE 14 - ACCRUED EXPENSES

RON

Accrued expenses	31.dec.2017	31.dec.2016
Vignette tax	184	268
Insurance policies	39,334	41,455
Other accrued expenses	742,498	882,150
Total accrued expenses	**782,016**	**923,873**

NOTE 15 - CASH AND CASH EQUIVALENTS

RON

Explanation	31.12.2017	31.12.2016
Bank accounts in RON	5,609,914	7,698,948
Bank account in foreign currencies	900	74,711
Petty cash in RON	19,388	2,719
Other values	5,603	1,338
Total	**5,635,805**	**7,777,716**

NOTE 16 –NON-CURRENT ASSETS HELD FOR SALE

RON

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

19	Hotel Meteor	246,812	0	246,812	0	0	0
20	CT Neon	75,334	205,369	0	0	0	130,035
	TOTAL BUILDINGS	**3,392,088**	**1,377,982**	**9,281,098**	**0**	**0**	**7,266,992**
1	Land Restaurant Minerva	1,813,760	0	1,813,760	0	0	0
2	Land Restaurant |Sulina	1,458,496	0	1,458,496	0	0	0
3	Land Restaurant Dunarea	1,183,104	0	1,183,104	0	0	0
4	Land Complex Atena (hotel + restaurant)	1,251,952	0	1,251,952	0	0	0
5	Land Complex Tosca (Hotel + restaurant + buffet)	0	0	2,602,496	0	0	2,602,496
6	Land – stop on the tour Saturn	15,890,160	0	15,890,160	0	0	0
7	Land CP 3 Saturn	791,024	0	791,024	0	0	0
8	Land Restaurant Pelican	668,304	0	668,304	0	0	0
9	Land GG Jupiter	1,080,560	0	1,080,560	0	0	0
10	Land - Bakery Saturn	127,504	0	127,504	0	0	0
11	Land Restaurant Mercur	0	222,949	0	0	0	222,949
12	Land Complex Venus (Hotel + restaurant)	0	547,563	0	0	0	547,563
13	Land - Garden Rapsodia	0	0	233,022	0	0	233,022
14	Land - Hotel Sport	163,976	163,976	0	0	0	0
15	Land - Snack Bar Carmen	0	0	39,050	0	0	39,050
16	Land complex Cocorul acces way	0	0	95,483	0	0	95,483
	TOTAL LANDS	**24,428,840**	**934,488**	**27,234,915**	**0**	**0**	**3,740,563**
	TOTAL ASSETS HELD FOR SALE	**27,820,928**	**2,312,470**	**36,516,013**	**0**	**0**	**11,007,555**

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

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

2017			2016		
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**
1,382,160	(710,084)	672,076	10,817,589	(5,609,735)	5,207,854

Income from disposal of non-current assets held for sale were included on line 5 of the statement of profit or loss and other comprehensive income and disposal expenses of assets held for sale were presented in row 13 form the statement of comprehensive income.
Assets classified as held for sale were revalued during year 2017 with tangible assets. but after evaluation resulting values were higher than the carrying amount, therefore they were reflected in books at their carried value that become the fair value. The assets classified as held for sale have been assessed, a part of them in the course of the year 2017, and other have been valued at 31.12.2017, the resulting values being higher than the value recorded in the accounts, with the exception of the restaurant/garden Rapsodia in Eforie Nord whose assessed has been smaller than that of recorded in the accounts, resulting in this case a loss which has been recognized in the profit and loss account. Shown in the accounts of other assets held for sale has been effectuated at book value.

NOTE 17 - 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, 2017 and December 31, 2016:

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

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

During 2016 the share capital has not changed, the structure of shareholders at 31.12.2017 communicated by BVB:

Shareholders name	Percent(%)	Shares	Capital value(RON)
SIF Transilvania S,A,	77.7131%	449,920,140	44,992,014.00
Other shareholders	22.2869%	129,029,799	12,902,979.90
TOTAL	**100.0000%**	**578,949,939**	**57,894,993.90**

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

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

THR Marea Neagră S.A. shares, are listed on the second category of Bucharest Stock Exchange started from 15 august 2002, with symbol "EFO". In the last trading day of 2017, 29.12.2017, the closing price of EFO was 0.096 RON/share, compared to 0.0826 RON/share at 30.12.2016.

NOTE 18 - CAPITAL RESERVES. REVALUATION DIFFERENCES

RON

Explanation	31.12.2017	31.12.2016
Revaluation surplus	107,559,706	108,045,261
Reserves	26,881,973	26,451,693
Inflated reserves from application of IAS 29	16,745,901	16,745,901
Total reserve	**151,187,580**	**151,242,855**

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, 201, 2012 and 2015.

NOTE 19 - RETAINED EARNINGS

RON

Element name	31.12.2017	Decrease	Increase	31.12.2016
Retained earnings except retained earnings from the adoption of IAS 29 for the first time	**52,923,423**	**5,767,050**	**5,360,013**	**53,330,461**
Retained earnings representing non-distributed benefits	300,000	4,967,706	4,833,610	434,096
Retained earnings from correction of accounting errors from previous years	(768,516)	799,345	41,479	(10,650)
Revaluation surplus transferred to retained earnings	53,391,939	0	485,555	52,906,384
Retained earnings from adoption of IFRS	0	0	(631)	631
Retained earnings came following the application of IAS 29 for the first time	**(102,691,275)**	**0**	**0**	**(102,691,275)**

NOTE 20 - OTHER ELEMENTS OF EQUITY

RON

Other elements of equity	31.12.2017	31.12.2016
Deferred tax recognized in equity	(12,580,261)	12,618,719
Profit distribution to legal reserve	(110,647)	277,117
Total Other elements of equity	**(12,690,908)**	**12,895,836**

NOTE 21 - LIABILITIES, LESS DEFERRED INCOME AND PROVISIONS

Short-term liabilities of the group are amounted to 5,065,627 RON, depending on the time structure of chargeability, as:

RON

Short-term liabilities	Liabilities at 31.12.2016	Liabilities at 31.12.2017	under 30 days	30-90 days	91-180 days	181-270 days	between 270-365 days	> 1 year
Amounts owed to credit institutions	3,943,232	800,000	0	0	0	600,000	200,000	0
Advances collected for orders	26,129	709,062	709,062	0	0	0	0	0
Trade payables	493,949	640,356	624,194	551	0	15,611	0	0
Other liabilities	3,352,211	2,915,792	2,439,338	0	194,447	82,582	1,141	198,284
Total	**7,815,521**	**5,065,210**	**3,772,594**	**551**	**194,447**	**698,193**	**201,141**	**198,284**

Short-term liabilities consist primarily of performance guarantees granted by entrepreneurs in the amount of 2,158,066 RON, wages and related contributions in the amount of 252,900 RON for the month of December 2017, specific activity taxes amounted to146,756 RON due to 25th January 2018, administration warranties in amount of 198,284 RON, shareholders dividends in amount of 421,192 RON, from deferred tax and from a short term investment credit in amount of 800,000 RON.

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

RON

Long-term liabilities	Liabilities at 31.12.2016	Liabilities at 31.12.2017	1-5 years	> 5 years
Long term loans	**2,400,000**	**1,600,000**	**1,600,000**	**0**
Trade payables and other liabilities, including derivatives	**208,539**	**39,735**	**39,735**	**0**
Trade payables	0	0		
Other liabilities	208,539	39,735	39,735	0
Deferred tax liabilities	**12,960,795**	**13,160,498**	**13,160,498**	**0**
Total	**15,569,334**	**14,800,233**	**14,800,233**	**0**

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

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

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

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

RON

Explanation	**31.12.2017**	**Provision 31.12.2017**	**Cancelling provision in 2017**	**31.12.2016**
Provisions for litigation	409,128	0	69,330	478,458
Provisions for pensions and similar obligations	24,841	0	0	24,841
Total Provisions	**433,969**	**0**	**69,330**	**503,299**

NOTE 23 - RELATED PARTIES TRANSACTION

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

RON

Receivables		
Related parties	**Financial year ended at 31.dec.2017**	**Financial year ended at 31.dec .2016**
Transilvania Hotels&Travel SA	670,329	445,762
TOTAL	**670,329**	**445,762**

Liabilities		
Related parties	**Financial year ended at 31.dec.2017**	**Financial year ended at 31.dec .2016**
Transilvania Hotels&Travel SA	223,683	0
TOTAL	**223,683**	**0**

Sales		
Related parties	**Financial year ended at 31.dec.2017**	**Financial year ended at 31.dec .2016**
Transilvania Hotels&Travel SA	725,601	11,897,374
TOTAL	**725,601**	**11,897,374**

Acquisitions		
Related parties	**Financial year ended at 31.dec.2017**	**Financial year ended at 31.dec .2016**
Transilvania Hotels&Travel SA	319,589	12,658
TOTAL	**319,589**	**12,658**

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

Credit line payments		
Related parties	**Financial year ended at 31.dec.2017**	**Financial year ended at 31.dec .2016**
Transilvania Hotels&Travel SA	3,156,980	2,791,943
TOTAL	**3,156,980**	**2,791,943**
Interest and fees		
Related parties	**Financial year ended at 31.dec.2017**	**Financial year ended at 31.dec .2016**
Transilvania Hotels&Travel SA	16,465	80,341
TOTAL	**16,465**	**80,341**

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 didn't set up adjustments for impairment regarding the doubtful receivables and we have not written down any irrecoverable receivables from related parties because it was not the case.

NOTE 24 –CONTINGENT ASSETS AND CONTINGENT LIABILITIES

The 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 litigations, mainly relating to assets and land claims as follows:

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

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

The 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 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 Group 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 Group 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 Group of the amounts given in behalf of the selling-buying contract having as object Flora Vila and the improvement operated on the Vila.
- with the Romanian Television Company concerning the reimbursement by the company, the amount of 681,080 RON representing the counterpart of duty unpaid TV during the period May 2016 - September 2014. From this amount, the group has established a provision in the amount of 352,547 RON.

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

NOTE 26 - SIGNIFICANT RISK MANAGEMENT POLICY

- credit risk
- liquidity risk
- operational risk

Exchange rate risk

The Group is easily exposed to the fluctuations of exchange rate, mainly in the case of foreign currency current accounts, receivables and liabilities in other currencies, and receivables and liabilities in RON, but which on contracts are strengthened in relation to other currencies, usually in EURO and / or USD.
The Group has not used and not used at this time derivatives to protect the RON exchange rate fluctuations relative to other currencies.

Interest rate risk

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

Credit risk

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

Liquidity risk

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

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

NOTE 26 - SIGNIFICANT RISK MANAGEMENT POLICY (CONTINUED)

An analysis of assets and liabilities has been made, based on the remaining period from the balance sheet date to the contractual maturity date for the financial year 2017, as:

Explanation	Note	Book value	Under 3 months	Between 3 and 12 months	Over 1 year	Indefinite maturity
Assets						
Cash and cash equivalents	15	5,635,805	5,635,805	0	0	0
Trade receivables and other receivables	13	4,933,051	151,976	1,745,948	2,881,208	153,919
Inventories	12	442,154	0	437,558	4,596	0
Other current assets		782,016	135,809	354,763	291,444	0
Non-current assets including non-current assets held for sale		244,587,489	0	0	0	244,587,489
Total assets		**256,380,515**	**5,923,590**	**2,538,269**	**3,177,248**	**244,741,407**
Liabilities						
Provisions	22	433,969	0	24,841	0	409,128
Trade payables and other payables	21	19,865,509	3,773,144	1,292,066	1,639,735	13,160,564
Deferred income (Grants)		0	0	0	0	0
Total liabilities		**20,299,477**	**3,773,144**	**1,316,907**	**1,639,735**	**13,569,692**
Liquidity surplus in the period		**236,081,038**	**2,150,446**	**1,221,362**	**1,537,513**	**231,171,716**
Cumulative liquidity surplus		**236,081,038**	**2,150,446**	**3,371,808**	**4,909,321**	**236,081,037**

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.

Explanation	31 December 2017	31 December 2016
Total liabilities (long and short term)	20,299,477	24,235,853
Cash and cash equivalents	5,635,805	7,777,716
Total equity	236,081,038	239,121,901
Net liabilities indicator	**(221,417,365)**	**(222,663,764)**

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.

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 2017.

NOTE 28 - BOARD OF DIRECTORS PROPOSAL FOR ALLOCATING NET PROFIT

At the end of 2017 the Group registers

- Retained loss in amount of **768,515.72** RON from the correction of accounting errors, **10,650** RON representing the recording in 2016 of the expenses related to services provided by Man-Co SRL in 2015, **793,063** RON representing the value of projects drawn up in order to upgrade the base materials, not in use until this date, the expenses related to the period 2009-2012), loss on which the Board of Directors proposes to be covered from the "retained earnings representing the revaluation reserve surplus account (1175);
- a net profit of **1,691,836** RON which the Board of Directors proposed to be distributed as follows:
  - The legal reserve in accordance with art. 183 of the Companies Law 31/1990. republished: 110,647.00 RON,
  - Distribution of dividends to shareholders 741,711.59 RON,
  - Allocation fund development 839,477.41 RON,

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

CHAIRMAN OF THE BOARD OF DIRECTORS
NARCISA MOSOIU

CHIEF FINANCIAL OFFICER
DANIELA TUDOR

Sediul: România, Mangalia, str.Lavrion nr.29, jud.Constanța Tel:+40-241-752-452 Fax:+40-241-755-559
Nr. Înregistrare Registrul Comerțului Constanța: J13/696/1991, CIF: RO2980547,
Cont IBAN: RO71 RNCB 0117 0151 6314 0001, Banca Comercială Română – Agenția Mangalia
Capital social subscris si varsat : 57.894.993,9 lei
Societate administrată în sistem dualist

www.thrmareaneagra.ro

STATEMENT

The undersigned NARCISA MOSOIU as General Manager/Executive President of T.H.R. Marea Neagra S.A. and DANIELA TUDOR as Chief Financial Officer of T.H.R. Marea Neagra SA, state that for the year 2017 :

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.

Narcisa MOSOIU
GENERAL MANAGER/EXECUTIVE PRESIDENT

Daniela TUDOR
CHIEF FINANCIAL OFFICER

Sediul: România, Mangalia, str.Lavrion nr.29, jud.Constanța Tel:+40-241-752-452 Fax:+40-241-755-559
Nr. Înregistrare Registrul Comerțului Constanța: J13/696/1991, CIF: RO2980547,
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Capital social subscris si varsat : 57.894.993,9 lei
Societate administrată în sistem dualist

www.thrmareaneagra.ro

STATEMENT

The undersigned NARCISA MOSOIU as General Manager/Executive President of T.H.R. Marea Neagra S.A. and DANIELA TUDOR as Chief Financial Officer of T.H.R. Marea Neagra SA, state that for the year 2017 :

a) the accounting policies used for drafting the consolidatedl 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.

Narcisa MOSOIU
GENERAL MANAGER/EXECUTIVE PRESIDENT

Daniela TUDOR
CHIEF FINANCIAL OFFICER

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

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

ADRESA: Timisoara, Str. Moise Nicoară , Nr. 1lB

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INDEPENDENT **AUDITORS'** REPORT

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, Restaurante Marea Neagrâ SA Mangalia („the Company"), with headquarters in Mangalia, Lavrion Street, No. 29, identified by unique tax registration number RO2980547 which comprise the statement of financial posi- tion as at December 31, 2017, the statement of profit or loss and other comprehensive income, statement of changes in equity, statement of cash flows and notes to separate financial statements for the year then ended, represented by:

2. Separate financial statements at December 31, 2017, are identified as follows

- Revenues:	39,058,296	RON
- Net profit:	1,691,836	RON
- Total assets:	252,370,128	RON

3. In our opinion, except for some adjustments which could be determined as necessary by the possible effects of the matter described at point 3 and 4 in the *Basis for Qualified Opinion,* the separate financial statements present fairly, in all material respects, the financial position of Turism, Hoteluri, Restaurante Marea Neagrâ SA Mangalia as at December 31, 2017, 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 of the Accounting Regulations in accordance with International Financial Reporting Standards, including subsequent amendments and additions.

Basis for qualified opinion

4. Based on tests for audit on the accuracy and completeness of the company estimates relating to the provision constituted on December 31, 2017, we have identified the need for the recognition of additional provisions for litigation in the sum of 434,252 RON and provisions for not taken holydays of 175,151 RON, of a total of 609,403 RON, which would affect the result for the year 2017. According to IAS 37 Provisions, contingent liabilities and contingent assets which require that a provision should be recognized in the accounts when and only when: (i) an entity has a current obligation generated by an event; (ii) it is likely that an output of resources which affect the economic benefits is necessary in order to fulfill the obligation in question; (iii) may be carried out as a reliable estimate of the amount of the obligation.

5. On December 31, 2017, the Company has not quantified and presented the impairment of financial fixed assets represented by the titles of shares in the company Transylvania Hotels & Travel Bucharest (in insolvency), as well as trade receivables held from this company for the estimated amount of to 394,693 RON, as required by the International Financial Reporting Standards as an asset to be impaired if it is found that the index of depreciation. In our opinion these treatments are not in accordance with the requirements of International Financial Reporting Standards which provides that the assets of the nature of the financial assets valued at depreciable cost, the receivables should be presented in the balance sheet at the input value less without the cumulative adjustments for loss of value. The estimated value, which should affect the result for the year, for the purpose of diminishing the value of the fixed assets is 2,432,010 RON and diminishing the commercial receivables — 394,693 RON, respectively, a total of 2,826,703 RON.

6. We conducted our audit in accordance with International Standards on Auditing ("ISA“), the EU Regulation No 537 of the European Parliament and of the Council of the European Parliament (the "Regulation“) and the Law no. 162/2017 (“the law"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Separate Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants’ Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. 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 mat:ters

7. Without further qualifying our opinion on the separate financial statements prepared by the Company for the financial year ended December 31, 2017, 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 December 31, 2017 depending on evolution of the litigation.

Key audit matters

8. 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 whit 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 in 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 2017.

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) 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 2018, 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 2018.

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 Information — Management Report

9. Directors are responsible for compiling and presenting other information. That other information includes the Directors' Report but does not include the financial statements and the auditor's report thereon.

Our opinion on individual financial statements does not cover this other information, and unless expressly stated in our report, we do not express any assurance about it.

In relation to the audit of the individual financial statements for the year ended at December 31, 2017, it is our responsibility to read that other information and, by doing so, to assess whether that other information is materially inconsistent with the financial statements or with this knowledge that we obtained during the audit whether they appear to be significantly denatured.

As far as the Directors' Report is concerned, we have read and reported that it has been prepared in all significant aspects in accordance with Order of the Minister of Public Finance no. 2844/20 16 for approval of the Accounting Regulations in accordance with International Financial Reporting Standards, chapter III, points 15-20.

On the sole basis of the activities to be carried out during the audit of the financial statements, in our opinion:

a) The information presented in the Directors' Report for the financial year for which the fi- nancial statements have been prepared is consistent, in all significant aspects, with the financial statements;

b) Directors' Report has been prepared in all significant aspects in accordance with Order of the Minister of Public Finance no. 2844/2016 for approval of the Accounting Regula- tions in accordance with International Financial Reporting Standards, chapter III, points 15-20.

In addition, based on our knowledge and understanding of the Company and its environment, acquired during the audit of the separate financial statements for the year ended December 31, 2017, we are required to report whether we have identified significant misstatements in the Directors' Report. We have nothing to report on this issue.

Other matters

10. 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.

11. The annexed 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 legal regulations in Romania, including OMFP no. 881/2012 on application by companies whose securities are admitted to trading on a regulated market of International Financial Reporting Standards and OMFP no. 2844/2016 for the approval of the accounting regulations in accordance with International Financial Reporting Standards.

Responsibilil:y of management and those responsible for governance for financial statements

12. 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 of the Accounting Regulations in accordance with International Financial Reporting Standards and for internal control that management deems necessary to enable it to prepare financial statements free of material misstatement, whether due to fraud orerror.

13. 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.

14. Those charged with governance are responsible for overseeing the Company's financial reporting **process.**

Auditor's Responsibilities for the Audit of the Financial Statements

15. Our objectives are to obtain reasonable assurance that the financial statements as a whole are free of material misstatement, whether due to fraud or error, and to the issuance of an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but it is not a guarantee that an audit conducted in accordance with ISA will always detect significant misstatement, if any exists. Distortions may be caused either by fraud or by error and are considered significant if reasonable assurance can be given that they, individually or collectively, will influence the economic decisions of users made on the basis of these financial statements.

16. As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. Wealso:

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 ob- tain 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 result- ing from error, as fraud may involve collusion, forgery, intentional omissions, misrepresenta- tions, or the override of internal control.

Obtain an understanding of internal control relevant to the audit in order to design audit pro- cedures 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 ac- counting estimates and related disclosures made by management.

Conclude on the appropriateness of management's use of the going concern basis of ac- counting and, based on the audit evidence obtained, whether a material uncertainty exists re- lated to events or conditions that may cast significant doubt on the Company's ability to con- tinue 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 con- ditions 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.

17. 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.

18. We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence and communicate wilh them about all relationships and other matters that may reasonably be thought to bear with our independence and, where applicable, related safeguards.

19. 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

20. We were appointed by the General Meeting of Shareholders at the date of April 20, 2017, as a result of a public selection of tenders in the statutory audit, for the audit of the financial statements of the Company for the financial year ended on December 31, 2017. The total uninterrupted period of our commitment is 7 years, covering the financial years from December 31, 2011 to December 31, 2017.

We confirm that:

Our audit opinion is in accordance with the additional report presented to the Audit Commit- tee of the Company, which we have issued on the same date in which we have delivered this report. Also, in the conduct of our audit, we have kept the independence regarding the audit- ed entity.

We have not provided the Company with prohibited non-audit services, as referred to Article no. 5 paragraph (1) of the EU Regulation No 537/2014.

Timișoara, March 20, 2018

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

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

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

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of

TURISM, HOTELURI, RESTAURANTE MAREA NEAGRÄ S.A MANGALIA

Qualified opinion

1. We have audited the accompanying consolidated financial statements of Turism, Hoteluri, Restaurante Marea Neagrâ SA Mangalia ("the Company"), with headquarters in Mangalia, Lavrion Street, No. 29, identified by unique tax registration number RO2980547 and its subsidiary ("the Group") which comprise the consoiidated statement of financial position as at December 31, 2017, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity, the consolidated statement of cash flows and consolidated notes to consolidated financial statements for the year then ended, represented by:

2. Consolidated financial statements at December 31, 2017, are identified as follows

- Revenues: 39,146,598 RON
- Net profit: 1,616,037 RON
- Total assets: 256,380,515 RON

3. In our opinion, except for some adjustments which could be determined as necessary by the possible effects of the matter described at point 3 and 4 in the *Basis for Oualified Opinion,* the consolidate financial statements present fairly, in all material respects, the financial position of Turism, Hoteluri, Restaurante Marea Neagrä SA Mangalia as at December 31, 2017, and its financial performance and its cash flows for the year then ended in accordance with Accounting Law no. 82/199 f , 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 of the Accounting Regulations in accordance with International Financial Reporting Standards, including subsequent amendments and additions.

Basis for qualified opinion

4. Based on tests for audit on the accuracy and completeness of the Group estimates relating to the provision constituted on December 31, 2017, we have identified the need for the recognition of additional provisions for litigation in the sum of 434,252 RON and provisions for not taken holydays of 175,151 RON, of a total of 609,403 RON, which would affect the result for the year 2017. According to IAS 37 Provisions, contingent liabilities and contingent assets which require that a provision should be recognized in the accounts when and only when: (i) an entity has a current obligation generated by an event; (ii) it is likely that an output of resources which affect the economic benefits is necessary in order to fulfill the obligation in question; (iii) may be carried out as a reliable estimate of the amount of the obligation.

5. On December 31, 2017, the Group has not quantified and presented the impairment of financial fixed assets represented by the titles of shares in the company Transylvania Hotels & Travel Bucharest (in insolvency), as well as trade receivables held from this company for the estimated amount of to 394,693 RON, as required by the International Financial Reporting Standards as an asset to be impaired if it is found that the index of depreciation. In our opinion these treatments are not in accordance with the requirements of International Financial Reporting Standards which provides that the assets of the nature of the financial assets valued at depreciable cost, the receivables should be presented in the balance sheet at the input value less without the cumulative adjustments for loss of value. The estimated value, which should affect the result for the year, for the purpose of diminishing the value of the fixed assets is 2,432,010 RON and diminishing the commercial receivables — 394,693 RON, respectively, a total of 2,826,703 RON.

6. We conducted our audit in accordance with International Standards on Auditing ("ISA"), the EU Regulation No 537 of the European Parliament and of the Council of the European Parliament (the "Regulation") and the Law no. 162/2017 ("the law"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. 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 matters

7. Without further qualifying our opinion on the consolidated financial statements prepared by the Group for the financial year ended December 31, 2017, 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 December 31, 2017 depending on evolution of the litigation.

Key audit mat:ters

8. 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 whit 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 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 in 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 2017.

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) Continuity ofactivil:y

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 2018, 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 2018.

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 Information — Management Report

9. Directors are responsible for compiling and presenting other information. That other information includes the Directors' Report but does not include the financial statements and the auditor's report thereon.

Our opinion on individual financial statements does not cover this other information, and unless expressly stated in our report, we do not express any assurance about it.

In relation to the audit of the individual financial statements for the year ended at December, 31 2017, it is our responsibility to read that other information and, by doing so, to assess whether that other information is materially inconsistent with the financial statements or with this knowledge that we obtained durin g the audit whether they appear to be significantly denatured.

As far as the Directors' Report is concerned, we have read and reported that it has been prepared in all significant aspects 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, chapter III, points 15 - 20 and chapter IV, points 26 - 28.

On the sole basis of the activities to be carried out during the audit of the financial statements, in our opinion:

a) The information presented in the Directors' Report for the financial year for which the financial statements have been prepared is consistent, in all significant aspects, with the financial statements;

b) Directors' Report has been prepared in all significant aspects 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, chapter Ill, points 15-20 and chapter IV, points 26 - 28.

In addition, based on our knowledge and understanding of the Group and its environment, acquired during the audit of the financial statements for the year ended December 31, 2017, we are required to report whether we have identified significant misstatements in the Directors' Report. We have nothing to report on this issue.

Other matters

10. 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 consolidated financial statements and the report on conformity or the opinion.

11. The annexed consolidated financial statements are not meant to show the financial position, the financial performance and a complete set of notes to the consolidated financial statements in accordance to accounting regulations and principles in other countries and jurisdictions than Romania. Therefore, the annexed consolidated financial statements are not for the use of persons who are not familiar with legal regulations in Romania, including OMFP no. 881/2012 on application by companies whose securities are admitted to trading on a regulated market of International Financial Reporting Standards and OMFP no. 2844/2016 for the approval of the accounting regulations in accordance with International Financial Reporting Standards.

Responsibilit:y of management and those responsible for governance for financial statements

12. 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 of the Accounting Regulations in accordance with International Financial Reporting Standards and for internal control that management deems necessary to enable it to prepare financial statements free of material misstatement, whether due to fraud or error.

13. 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.

14. Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

15. Our objectives are to obtain reasonable assurance that the financial statements as a whole are free of material misstatement, whether due to fraud or error, and to the issuance of an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but it is not a guarantee that an audit conducted in accordance with ISA will always detect significant misstatement, if any exists. Distortions may be caused either by fraud or by error and are considered significant if reasonable assurance can be given that they, individually or collectively, will influence the economic decisions of users made on the basis of these financial statements.

16. As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism 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 ob- tain 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 result- ing from error, as fraud may involve collusion, forgery, intentional omissions, misrepresenta- tions, or the override of internal control.

Obtain an understanding of internal control relevant to the audit in order to design audit pro- cedures 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 ac- counting estimates and related disclosures made by management.

Conclude on the appropriateness of management's use of the going concern basis of ac-

counting and, based on the audit evidence obtained, whether a material uncertainty exists re- lated 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 con- ditions 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.

17. 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.

18. We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them about all relationships and other matters that may reasonably be thought to bear with our independence and, where applicable, related safeguards.

19. 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 Repulatory Requirements

20. We were appointed by the General Meeting of Shareholders at the date of April 20, 2017, as a result of a public selection of tenders in the statutory audit, for the audit of the financial statements of the Group for the financial year ended on December 31, 2017. The total uninterrupted period of our commitment is 7 years, covering the financial years from December 31, 2011 to December 31,2017.

We confirm that:

Our audit opinion is in accordance with the additional report presented to the Audit Committee of the Company, which we have issued on the same date in which we have delivered this report. Also, in the conduct of our audit, we have kept the independence regarding the audit- ed entity.

We have not provided the Group with prohibited non-audit services, as referred to Article no. 5 paragraph (1) of the EU Regulation No 537/2014.

Timisoara, March, 20 2018

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