



**The Report of the Administration Board of SC THR Marea Neagra SA for  
the consolidated financial statements drafted for year 2014**



**Annual report according to:** The law of accountancy no 82/1991, OMPF 1286/2012 for adopting the Accountancy Regulations according to the International Standards of financial reporting, applicable to the commercial companies whose transferable shares are admitted for trading on a regulated market, The Law 297/2004 concerning the capital market and the CNVM Regulation no 1/2006 concerning emitters and transferable securities.

For the fiscal year: **2014**

**Companies from the perimeter of consolidation**

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

Headquarters: **Lavrion street, no 29, Mangalia, Constanta county**

Telephone/ Facsimile number: **0241 – 75.24.52 / 0241 – 75.55.59**

Unique registration code in the Registry of Commerce: 2980547

Serial number in the Registry of Commerce: **J13/696/1991**

Regulated market where the transferable shares are traded: **Bucharest Stock Exchange**

Subscribed and paid capital: **57,894,993.9 lei**

**The main characteristics of the securities issued by the company: registered, ordinary, dematerialised and indivisible shares with a face value of 0,1 lei/share**

Name of the company: **Balneoterapia Saturn SRL – branch**

Headquarters: **Constantei road, no.76, Mangalia , Constanta county**

Telephone/ fax: **0241-752.452**

Unique registration code in the Registry of Commerce: 14271182

Serial number in the Trade Register: J13/1910/2001

The shares of the company are not dealt on a regulated market, the managers keeping record of the

share holders by means of the Register of the share holders.

## **1. Analysis of the activity of the company**

### **1.1.**

#### **a) Description of the basic activity of the company**

The main activity of the company according to the classification is code CAEN 5510 -"Hotels"-, namely accommodation services, public food service, balneary treatment and leisure activities.

The activity is organised in personal places of business, registered and classified according to the legislative acts in force, having all the operating permits provided by the legislation in force.

According to the C.A.E.N., classification the main activity of Balneoterapia Saturn S.R.L. company, consists of "Specialised medical assistance activities" – code C.A.E.N. 8622.

#### **b) The date when the company was set up**

The company was set up on 05.03.1991, under the name of S.C. Eforie S.A..

The company changed its name from Eforie S.A. to THR Marea Neagra S.A. in 2005, according to the authorized judge's Closing at the Commercial Register Office Constanta no. 10.687/24.01.2005, and during 2011, the company changed its registered office in Mangalia, Lavrion street no. 29, Constanta county .

The company Balneoterapia Saturn SRL is a legal entity registered at the Commercial Register Office under no. J13/1910/2001, tax identification number 14271182.

#### **c) Description of the significant mergers and reorganisations**

In 2014, there were no any mergers or reorganisations.

#### **d) Description of purchase and/ or alienations**

The company was created by means of changing the state economic unities into trade companies, having a capital obtained by equity in kind with shares represented by the hotels placed in the touristic resorts near the seaside, brought into service during 1968-1972, as well as nationalised hotels.

Taking into account the fact that the years of service as well as the great amount of the necessary investments in order to maintain their touristic circuit, the company conducts a restructuring and development strategy according to the decision of the share holders.

In 2014, according to the restructuring strategy, the company kept selling assets, but also modernising some assets in order to be maintained in patrimony. The assets sold in 2013wer the following:

1. Nunta Zamfirei Field (2 669 sqm);
2. Cocorul Complex with the associated field (building and field with a surface of 6 231.43 sqm);
3. Pajura Complex with the associated field (building and field with a surface of 7 672.80 sqm);
4. Balea, Mara Lacul Mansions (building and field with a surface of 16 984,64)
5. Village field Vacanta Dunarea (322 sqm);
6. Access area Cocorul (272.33 sqm);

The profits obtained from selling the assets were used according to the budgetary destination namely for financing the investing program together with the other personal and attracted financing sources.

#### **1.1.1. Elements of general evaluation**

- a) Gross profit: **7.950.288 lei**;
- b) total income: **47.539.734 lei** out of which:  
turnover: **29.700.221 lei**
- c) export: it is not the case
- d) total costs: **39.589.446 lei**, out of which:
- e) % the market possessed: **12, 80%** of the local touristic market
- f) available in the account: **12.494.542 lei**;

The company operates by means of its places of business situated in the national interest resorts Eforie Nord, Eforie Sud, Neptun, Venus and Saturn being among the main companies specialised in this field, in our country.

At the same time, the company includes hotels situated within the market well consolidated at a national level, some of them also having a growing market at an European level.

The activity is distinctly seasonal in nature, being related to the seasonal character of the activity developed in this area, namely the Black Sea littoral in Romania.

In order to diminish the seasonal character, the company directed its investing program towards the development of its own capacity of providing medical balneary treatment through the use of specific natural treatment factors, having at present 4 personal treatment units within the in the Hotel Complexes "Balada", "Sirena" - Saturn and Hotel Complex "Bran-Brad-Bega" from Eforie Nord, the least operating since 2012. In 2013 the company started working on extending the treatment unit from the Hotel Complex from Eforie Nord, and finished 2014.

The operational activity produces income which leads to a positive economic and financial result, capable of covering all the exploitation costs, but also the development of the company by means of creating personal financing sources for the investing programs.

The seasonal character of producing income, involves temporary financing of the activities by using attracted sources, namely, bank loans, which shall be reimbursed along with the cashing in of the income corresponding to the current financial year.

### **1.1.2. Evaluation of the technical level of the company**

Description of the main products created and/or services provided taking into account the following:

a) The main outlet for each service and the distribution procedure

In 2014, THR Marea Neagra SA exploited in direct administration 7.836 rooms and 13.291 spaces for public food service placed in the touristic resorts on the littoral of the Black Sea in Romania, in unities classified in category 2\*\*, 3\*\* and 4\*\*.

The main personal products include the accommodation offers, public food service, balneary treatment, leisure (spa, swimming pools, mud cold baths, entertainment).

Touristic products are promoted by specific means both on the internal market and the external one, the main partners, being represented by the touristic agencies such as Paradis, Creative Eye, Eximtur, Bibi Touring, Inter-Tour, Marea, Transilvania Travel, Dimm Travel, Perfect Tour ( 39, 26 % from the touristic circulation) and the National House of pensions for balneary treatment products (42.40 %) and other partners specialized in organizing holidays, business, referrals for balneary recuperation.

An important sales channel is represented by online sales through specialised sites, but also through the personal sales, channels which have proved the greatest rise during the past two years and having a great potential of growth and market position reversions.

Direct sales made at the receptions of the hotels especially at the end of the week, weigh significantly for the sales, the company being organised to receive and solve the requests in order

to cover optimally the personal capacity of providing services.

The touristic product of the main accommodation capacities are also distributed on the external market based on the agreements signed with external partners- on the European market, the main partner being Thomas Cook – the second world tour-operator which distributes the touristic product in Germany, Holland, Poland. In the Romanian market of this partner SC THR Marea Neagra SA owning more than half of the market share, with a growing evolution in the future.

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

lei

Indicators	Earned (lei)			Shares in the total income (%)			Shares in the total Turnover (%)		
	2012	2013	2014	2012	2013	2014	2011	2012	2014
Total income	44.369.154	34.416.105	47,539,734	100,00	100,00	100,00			
Turnover, out of				68,50	81,82				
which:	30.394.597	28.158.861	29,700,221			62.47%	100,00	100,00	100,00
- Accommodation	16.052.377	12.271.329	17,585,735	36,18	35,66	59.21%	52,81	43,58	59.21%
- Public food service	10.397.669	9.361.993	8,731,786	23,43	27,20	49.65%	34,21	33,25	29.40%
- Rents	300.075	240.797	272,410	0,68	0,70	3.12%	0,99	0,86	0,91%
-other income included in the turnover	3.644.476	6.284.743	3,110,291	8,21	18,26	6.54%	11,99	22,32	10.47

Apart from the turnover the total income also include other sources of income, especially income from non-current assets (investment realised by one) and income from selling assets. Income from selling assets have increased in 2014, so the weight of the turnover in the total income decreased during the analysed period from 68- 82 % to 62,47% in 2014. Within the turnover the greatest share is held by the income from accommodation and public food service. Within the analysed period, the share of these two categories of income varied, income from accommodation and public food service being approximately 88% of the turnover.

Analysing the structure of the turnover we notice an increasing evolution, income from accommodation suffering a change of 13% compared to the preceding and the increase of the

weight from 53,35% in 2013 up to 58,29% this year, increase based both on the increase of the absolute value of the income but also on the decrease of the income from public food service which have decreased with 7% compared to 2013, income from public catering recording an increase, weighing 29,54% compared to 33,25% recorded last year.

The decrease of the income obtained from public catering is realised through the internal channel of distribution towards the tourism agencies based on the increase of the touristic circulation on this channel with 33.69%, motivated by the request on the consumer market, and the acquisition of touristic packs including only the breakfast or without including food service. This decrease is determined by external causes based on the decrease of the purchasing power and the competitive market which, by evading the financial law uses dumping prices, and on the other hand, the location of the supermarkets nearby.

c) new products taken into account and their state of development.

Prioritising the increase of the extent to which the capacities are used and of the period of using them, the investing products of the company are oriented towards the balneary tourism by developing the available capacities. In this respect the investing program encompassed the extension of the treatment basis within the Complex of Hotels “Bran-Brad-Bega” by means of creating a modern hydrotherapy section which was brought to service in 2014. On the other hand, the company prioritizes the modernisation of the external capacities, so, in the investing program, the company aimed at completely modernising 106 rooms in the Narcis Complex and bringing them to service, as well as other modernisation activities and facilities meant to cover the confront requests included in the normative acts regarding the inclusion of the accommodation and public catering unities.

### **1.1.3. Evaluation of the activity consisting of the technical and material delivery.**

The technical and material delivery, was mainly based on the autochthonous sources of raw materials, with some exceptions, namely for investments that we applied for at importing sources.

The company implemented an integrated management system of quality-environment-security of the food (SR EN ISO 9011:2008, SR EN ISO 14001:2005 and SR EN ISO 22000:2005) which also covers the delivery segment, with the implementation of specific operating procedures.

What was purchased came from traditional providers, direct manufacturers and importers, big companies, having an accreditation for those materials, certified ISO, according to the European norms and standards.

Providers are selected by a selection committee, based on set criteria and on scores, which

should be reflected in the main price/quality report.

In relation to the security of the supply sources, we would like to specify that purchased raw materials are accompanied by conformity certificates, warranty certificates and technical sheets. The stocks of raw materials and materials are minimum taking into account the extra seasonal period.

#### 1.1.4. Evaluation of the sale activity

*a) description of the evolution of sequential sales on the internal and external market, and of the perspectives for sales in medium an long term.*

The company developed its activity mainly based on the contracts for delivery service signed with the National House of Public Pensions (treatment contract) and Transilvania Travel SA, as a main operating tour of al THR. For 2014, compared to the BVC and the achievements of the preceding year, touristic circulation is the following:

Touristic days

Month	Treatment	Agencies	Foreigners	On its own	Other beneficiaries	On-line	TOTAL
<b>Earned by December 31, 2014</b>	<b>161.883</b>	<b>149.897</b>	<b>16.268</b>	<b>20.133</b>	<b>25.465</b>	<b>8.185</b>	<b>381.831</b>
<b>BVC 2014</b>	161.120	162.006	18.658	32.413	26.711	12.886	413.794
<b>Differences: earned 2014-BVC 2014</b>	763	-12.109	-2.390	-12.280	-1.246	-4.701	-31.963
<b>Earned percentage 2014/BVC 2014</b>	<b>100,47%</b>	<b>92,53%</b>	<b>87,19%</b>	<b>62,11%</b>	<b>95,34%</b>	<b>63,52%</b>	<b>92,28%</b>
Earned by December 31, 2013	172.212	121.176	18.658	28.489	21.257	10.706	<b>372.498</b>
<b>Differences: earned 2014-achieved 2013</b>	-10.329	28.721	-2.390	-8.356	4.208	-2.521	9.333
<b>Earned percentage 2014/earned 2013</b>	<b>94,00%</b>	<b>123,70%</b>	<b>87,19%</b>	<b>70,67%</b>	<b>119,80%</b>	<b>76,45%</b>	<b>102,51%</b>
<b>percentage BVC 2014/Earned 2013</b>	<b>93,56%</b>	<b>133,69%</b>	<b>100,00%</b>	<b>113,77%</b>	<b>125,66%</b>	<b>%</b>	<b>%</b>
<b>Differences BVC 2014-</b>	<b>-11.092</b>	<b>40.830</b>	<b>0</b>	<b>3.924</b>	<b>5.454</b>	<b>2.180</b>	<b>41.296</b>

Month	Treatment	Agencies	Foreigners	On its own	Other beneficiaries	On-line	TOTAL
<b>Earned 2013</b>							
<b>Share in structure</b>	<b>42,40</b>	<b>39,26</b>	<b>4,26</b>	<b>5,27</b>	<b>6,67</b>	<b>2,14</b>	<b>100</b>
<b>Share in structure 2014</b>	<b>46,23</b>	<b>32,53</b>	<b>5,01</b>	<b>7,65</b>	<b>5,71</b>	<b>2,87</b>	<b>100</b>

In 2014 touristic circulation was of 92, 98% compared to the budgetary provisions and 102, 51% compared to the circulation realised in 2013, given the fact that the budgetary provision was of 111, 09 % compared to the result of the preceding year.

Touristic circulation expressed in touristic days is budgeted 381.831 compared to the 413.794, minus 31.963, namely a degree of achievement of 92, 28% of the budgetary provisions.

Analysing the touristic circulation in the structure, involving the main partners, a decrease of the CNPP share can be noticed, from 46,23 % in 2013 to 42.39 % in 2014, decrease realised based on the increase of the share of the internal tourism organised through agencies, from 32,53% in 2013 to 39,25 % in 2014 .

Shares decrease is noticed on the other channels of distribution, namely foreign tourists, from 5,01 % to 4,26 %, personal account from 7,65% to 5,27% and on line from 2,87% to 2,14% , following the measures of supplementing the agreement made with The National House of Public Pensions and the increase of the exploitation of the tourism agencies.

Another indicator of the touristic circulation, the number of tourists, had an evolution similar to the one expressed in days/tourist, both in total and among the partners and the average visiting time increased a little concerning the delivery through other beneficiaries and on itself. The decrease of the treatment visit is caused by the change of the abidance period from 18 days to 26 days, as stipulated by the National House of Public Pensions.

Number of  
tourists

Explanations	Treatment	Agencies	Foreigners	On its own	Other beneficiaries	Online	TOTAL
Number of tourists 2014	10,160	25,964	1,793	6,349	4,248	2,173	50,687
Number of	9,614	21,140	2,002	9,820	3,997	2,909	49,482



tourists 2013							
Differences				-			
2014/2013	546	4,824	-209	3,471	251	-736	1,205
		122.82		64.65		74.70	
% 2014/2013	105.68%	%	89.56%	%	106.28%	%	102.44%
				19.85		5.88	
% 2013/ Partners	19.43%	42.72%	4.05%	%	8.08%	%	100%
				12.53		4.29	
% 2014/ Partners	20.04%	51.22%	3.54%	%	8.38%	%	100%

Explanations	Treatme nt	Agenci es	Foreign ers	On itself	Other beneficiar ies	Onlin e	Medium stay
							TOTAL
Medium stay period 2014	16.00	5.77	9.07	3.17	6.00	3.76	7.53
Medium stay period 2013	18.00	5.73	8.71	2.90	5.31	3.68	7.42
Differences 2014/2013	-2.00	0.04	0.36	0.27	0.69	0.08	0.11

In 2014, the average degree of occupation increased from 59, 10 %, higher than in 2013, of 55, 21 %.

Analysis of the touristic circulation for the main partners is the following:

### 1. Agreement with the National House of Public Pensions

In 2014, speaking about treatment, we accumulated 161.883 touristic days compared to 161.120 budgeted touristic days and 172.212 touristic days accumulated in 2013, with an achievement of 100, 47% of the budgetary provisions.

We followed attentively the development of this agreement and we took action in order to complete it compared to the budgetary provisions. As a consequence of not offering budgeted places at the Hotels Complex Bran Brad Bega, we had a deficit of 18.000 touristic days during 03.04-07.07.2014. The agreement was implemented 3 months later as a result of a long period dedicated to appeals, and this resulted in not being available to supplement the agreement in the middle of the season at the Hotels Complex Bran Brad Bega.

The touristic circulation in a CNPP total is determined by the supplementations done in Saturn resort.

## **2. The contracts with the tour-operators touristic agencies**

For 2014, THR signed direct agreements with the great tour-operators which have reselling networks.

Internal tourism registered 149.897 touristic days compared to 162.006 touristic days stipulated in the agreement and 121.176 touristic days accumulated in 2013, and this resulted in an increase with 28.721 touristic days, namely 23,70% compared to 2013, and accomplishment of 92, 53 % of the budgetary provisions, given the fact that the budgeted increase was 33,69% compared to 2013.

Touristic circulation, growing with 154,31 % compared to 2013, noted in the 13 tour-operator touristic agencies THR signed agreements with, has correspondingly determined an increase of the sales compared to the preceding year, with 2.796.584 lei, so , their share in the total of sales increased up to 79, 01 % , compared to 61,37% on the same reporting date of the past year.

For a touristic circulation of 32.828 touristic days compared to 45.416 touristic days, namely 72,28% compared to 2013, Transilvania Travel with the reselling agencies ( Accent , Turism Sind , Adonis, Romsejur, BTT Bucuresti, Euroturism Barlad, All Tours, Guardo Tour , Plutos Turism , Sind Tour Romania , Sind Tour Minerva, Sind Gaz SRL etc) had sales decreased with 1.312.183 lei compared to 2013, the share in the total of sales decreasing this year up to 20,99 % compared to the same period of the year 2013 when sales were 38,63 % of the total of sales.

By changing the tariff policy and of the agreement policy, stimulating conditions were created for the tour-operator agencies:

- Facilities for families with children;
- The program “early booking”;
- Restriction at 18% of the sales fee for the agencies compared to the contract tariffs;
- The non-feeing of the public catering services by the beneficiary, for these the contractor giving a fee of 13%;
- Awarding supplementary discounts (of volume) at the end of the season.

In order to stimulate sales we released more special offers namely:

- Easter Offer launched between 18.04-23.04.2014;
- The Free vacation days – launched in May for stays of minimum 5 nights for which we give exclusive gratuity for the last stay day. The offer is valid for the stays which began until the 21.06.2014 and the ones that began after 21.08.2014;
- The special offer “1<sup>st</sup> of May at the seaside” launched between 30.04-05.05.2014;
- Pentecost Offer – launched in June, available between 06.06-10.06.2014;
- Linear offer launched for the July-September 2014 period;
- “Sea coast for everyone”, spring edition 05.05-15.06.2014 and the autumn edition 01.09-15.09.2014;
- Summer offer – launched in May for the under contracted hotels, which generated an increase of the take-up at these hotels.

We have also subscribed too national programs launched by FPTR and OPTBR, namely “The littoral for everyone”, “the balneary decade”, “A week of recovery”, “Let’s bathe”

Speaking about the **external tourism** there was a total of 16.268 touristic days compared to 18.658 budgeted touristic days accumulated in 2013, with a degree of accomplishment of 87, 19%, due to the general decrease of the external touristic circulation on the littoral.

### **3. Contracts with other beneficiaries**

We have also signed agreements 2014, with traditional partners with the help of whom we accumulated 25.465 touristic days compared to 26.711 budgeted touristic days and 21.257 touristic days accumulated in 2013, which represents 95, 34 % compared to the budgetary provisions and is higher than the total accumulated during the past season (119, 80%).

### **4. Sales on our own account and online (through the booking sites)**

Following the fact that the hotels have signed agreements and have been exploited by tourists with CNPP tickets supplementing the agreement, at the same time with the increase of the touristic circulation in the segment consisting of touristic agencies, we

accumulated 28.318 touristic days compared to 45.299 budgeted touristic days and 39.195 touristic days accumulated in 2013, with an accomplishment of 62,51 % of the budgetary provisions and 72,22% compared to the year 2013, lack of accomplishment being noticed mainly because of the lack of availability during the peak season, when demands could not be honoured.

We will also take into account for the next years, the adjustment of the tariff and agreement policy according to the market requests, the creation of stimulating conditions for the tour-operator agencies, including volume discounts, bonuses for families and children, early subscription policy, sales commissions were negotiated with the agencies, as well as commissions handover for stimulating salesmen and creating advantages of the product to be sold, especially for public food service, where, in the preceding year we noticed a significant decrease compared to the preceding years. We also bear in mind the idea of developing special offer meant to lead to an increase of the touristic circulation, as well as a permanent adjustment of the touristic product according to the evolution of the market.

*b) Description of the competitive situation, of the share on the market of providing services, and of the main competitors.*

The company operates in an area where the main activity consists exactly in the activity of the company, namely providing accommodation, public food, recreational services, the main attraction consisting of the beach and the quality of the bathing water in the Black Sea, as well as the curative qualities of the main natural resources for balneary treatment, Techirghiol, the water in Techirghiol lake, the sulphurous mesothermal water, sea water and sea aerosols.

This area encompasses the highest density of touristic capacities, representing more than half of the national accommodation capacity, and this creates a tight competitive climate, but also of inter determination , individual development, generating the increase of the activity in this area, which determined the organisation of the company in associations which should establish common objectives and partnerships with local authorities.

True competition is represented by the external market, with similar products, the tariff policy making the difference, identifying as a competitor in this respect, the market of the Bulgarian littoral.

The advantage of the Bulgarian market is the notable lower level of the tariffs in correlation

with a market included on other price levels, lower taxes, especially the VAT 9% both for accommodation and public food service compared to 24% in our country

In 2015 the financial policy was harmonised, namely the VAT for public food services, and this change of the financial policy will make the touristic packets of the Romanian littoral more attractive, with a corresponding increase of the touristic circulation and of the income.

The company has an important share on the market, consisting of approximately 12.80 % being strongly anchored on the market, with personalized products both internally and externally, owning more than 50% of the Romanian market of the greatest external tour-operator on the Romanian market, Thomas Cook, the second worldwide touristic.

*c) Description of any dependency of the company in relation to a client or a group of clients whose loss would have a negative impact on the income of the society.*

The touristic products of THR are distributed at a national level, being available on all the distribution channels (touristic agencies, websites, direct sales etc). As a result, the disappearance of a partner will not damage significantly the distribution of the touristic product.

An important share is held by the client The National House of Public Pensions. Taking into account the fact that the public acquisitions of this partner are made for the retired people from the public sector, if this partner does not buy these services, the consumer demand is not cancelled. Due to the fact that health recovery is a necessary and permanent process, the product will be placed on other distribution channels, in such a way that the consumer can buy the product needed.

In correlation to the fact that our balneary treatment product is individualised, known and tested on the market, we are not going to face major difficulties, with a negative impact on the income, in case one of our main partners leaves the market.

#### **1.1.5. Evaluation of the aspects related to the employees/ personnel of the company**

a) Regarding human resources in 2014, compared to 2013, the evolution of the personnel was the following

No.	Indicator	Average no. In 2013	Average no. in 2014	No. on 31.12.2014
<b>1</b>	<b>No. of permanent employees out of which</b>	<b>139</b>	<b>133</b>	<b>132</b>
a	TESA personnel	49	47	47
b	Operative personnel	90	86	85
<b>2</b>	<b>No. of seasonal personnel</b>	<b>273</b>	<b>237</b>	<b>29</b>
<b>3</b>	<b>Total personnel</b>	<b>412</b>	<b>370</b>	<b>161</b>

Compared to 2013 decrease of 9, 75 % can be noticed concerning the average number of employees, as a result of the removal of the security services by introducing a system of monitoring the assets in patrimony

The situation concerning the dynamic of the gross wages compared to the income is the following:

No.	Indicator	2013	2014	%
1	Expenses for gross wages (lei)	5,702,744	5,559,643	97.49%
2	Average number of employees	412	370	89.81%
3	Turnover (lei)	28,158,861	29,700,221	105.47%
4	Work productivity (lei/employee)	68,347	80,271	117.45%
5	Monthly average gross wage lunar (lei)	1,153	1,252	108.56%
6	National average wage according to Law of national insurance	2,223	2,298	103.37%
7	Minimum wage (lei)	850	900	105.88%

Expenses for gross wages change proportionally with the degree of achievement of income from the main activity, the indicator of average number of employees having a similar evolution, with a greater decrease determined by the introduction of the centralised system of monitoring the security of the patrimony, work productivity being increased with 10, 25%, mainly based on the raise of the minimum wage, given the great number of the operative staff remunerated at this level.

By comparing the gross wage at the level of the company with the national average wage, namely 1.274 compared to 2.298 lei it can be noticed that the average gross wage at the level of the company is way under the national average wage of 55 %, motivated on the one hand by the structuring of the staff, including the employees with low wages, and on the other hand motivated by the seasonal character of the activity, which determines the reduced remuneration possibility.

b) the relations between the manager and the employees is based on communication, involvement, and team spirit, observing the rules and the work procedures established through the internal regulations, job description, without the existence of conflicting element, being regulated in the collective contract of employment and individual contracts of employment.

The average number of employees in 2014 also includes the employees in the technical department who realised investments in their own administration, expenses for their employees being included in the value of the investments performed. They did not contribute to the achievement of the turnover, but they are included in the number of employees and influence the process of calculating work productivity.

#### **1.1.6. Evaluation of the aspects related to the impact of the basic activity of the emitter on the environment.**

The basic activity of T.H.R.Marea Neagra S.A. observes the legislation in force regarding norms of environmental protection, obtaining environment authorisation for each type of activity and each place of business.

The company identified all its activities which could have an impact on the environment and regulated them according to the environment standards SR EN ISO 14001:2005 by personal proceedings.

At present there is not any litigation and we do not expect any litigation regarding the violation of the legislation regarding environmental protection.

#### **1.1.7. Evaluation of the research and development activity**

The company searches permanently for solutions in order to reduce costs, but also for attracting new clients. The company implemented alternative solutions for producing electrical energy, and thermal power for heating domestic hot water with solar energy, and this solution is increasing. At the same time, taking into account the fact that local manager ended the investment for gas supply in the resorts, the company aims at connecting the thermal channels and of the power units to the gas network, with a positive impact on the environment as well as the efficient use of

the financial resources.

The company is also implementing an integrated information system for all the accommodation and public food service unities, which it owns together with the information systems of the main partners (The National House of public pensions, tour-operator agencies), in such a way that we get real-time information regarding the exploitation of the touristic packs and their change of location according to the demands as well as the restructuring of the tariff and sale policy

In 2014, the company invested a significant amount of **8.848.166** lei, out of which the most important were the following: Completion of the hydrotherapy section from the Treatment base of the Bran, Brad, Bega complex, completion of the modernisation of the Prahova Hotel, the modernisation of 66 bathrooms in the Aida hotel, the modernisation of the doors in the Balada hotel, waterproofing work, work for changing the direction of the pipelines with sea water, specific facilities and equipment.

Investments were done in order to achieve the following:

<b>NO.</b>	<b>Investment objectives</b>	<b>Accomplished at 31.12,2014(lei)</b>
1	Extension of the Treatment Basis in the Bran, Brad, Bega Complex	3,159,745
2	Modernisation of the Prahova Hotel-work for improving the sanitary installation and the furniture	2,580,464
3	Other modernisations in the hotels complexes	1.993.909
7	IT equipment + soft	271,826
8	Other improvements and facilities involving investments	842,222
	<b>Total of investments without VAT</b>	<b>8,848,166</b>
	<b>VAT</b>	<b>1,748,093</b>
	<b>Total of investments</b>	<b>10,596,259</b>

For financing the investments we have used the following personal financing sources:

<b>Explanations</b>	<b>Value (lei)</b>
Cash-flow generated selling assets with payoff/ instalments, after paying the income tax	4.578.405
Amortisation	6.017.854
<b>Personal financing sources</b>	<b>10.596.259</b>

The amounts obtained from selling assets were used exclusively for financing the investments if the society.



The first priority was the modernisation of the accommodation and public food service capacities.

The second priority was related to the decrease of the operating costs by modernising the thermal power station (including the use of solar panels), the modernisation of the carwash which serves the whole company, but also the information of the accommodation and public food service unities, by implementing an integrated system of hotel and restaurant manager.

The third priority was related to the extension and the modernisation of the treatment bases, which allowed us to raise the share of the treatment tourism within the services sold.

### **1.1.8. Evaluation of the commercial activity of the company concerning risk management**

The managers of the company assured and still assure a cautious management of the liquidity risk, aiming permanently at assuring cash, in order to pay on time the debts.

The 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 to the financial market where it operates Risk is defined as a possibility of encountering unfavourable deviations concerning the results, compared to the expected level, due to random fluctuations, The significant risks are the risks which have a negative impact on the patrimonial and/ or related to the reputation of the society.

The aim of the evaluation of the risks to identify the significance level and the effects of the risks assumed by the company the investing activity.

While working, the company may face uncontrollable risks, which are generally associated to external factors such as the macroeconomic conditions, legislative changes, changes related to the competitive environment, etc. However, the company usually faces uncontrollable risks, for which polices and proceeding of active administration are adopted. (analysis, monitoring and control). These risks are associated to internal factors such as the nature of the activity, the complexity of the organizational structure, the quality of the stud, etc:

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

- Exchange risk
- Interest rate risk
- Credit risk

- Liquidity risk
- Operational risk

#### The exchange risk

The company is slightly exposed to the fluctuations of the exchange rate, mainly due to the availabilities owned in currency, book debts and bonds in other currencies, as well as the book debts and bonds in lei, but which through contracts are consolidated in other currencies, usually in EURO or/and USD. The share of the carried on or consolidated transactions in other currencies is small, so that this risk does not have a great impact.

#### The interest rate risk

The operational cash fluxes of the company are affected by the variation of the interest rate, mainly in the case of the credit lines contracted depending on the ROBOR rate. In the anterior years the reference ROBOR rate had a relatively constant trend, fact that reduces this risk. Also, to sell a part of the assets, the company has closed sale-contracts with rate payment, to which the interest is calculated according to the ROBOR rate, this way reducing the interest rate risk.

#### Credit risk

The credit risk is represented by the risk of recording a loss or not accomplishing the estimated profit, as a consequence of not attending to the financial obligations. THR Marea Neagra SA sold assets with rate payment for which it calculates and cashes in interests. The rest of the price associated with the contracts and the interests are secured with mortgages made on the assets in favor of THR, so that the risk of not cashing is reduced.

#### The liquidities risk

The liquidity is the capacity of the company to ensure the necessary capital for attending all its payment commitments direct or indirect, at a reasonable price in any moment. The liquidity risk is the actual or potential risk to which the profits and the capital of the company could be subjected after its impossibility of paying its commitments at the due date. The company has permanently tried to ensure a balance between its financial sources and its short term necessities that is why it permanently had liquidities to pay the financial commitments. The company monthly compiles predictions of the cash-flow for periods which vary from 6 months to a year in order to detect in time a possible lack of liquidities and to take the associated measures.

#### The operational risk

The operational risk is defined as the risk of recording losses or not accomplishing the estimated profits due to the internal factors like the inadequate internal activity, the existence of inadequate

personnel or system or due to some external factors like the economic conditions, changes on the capital market, technological progress. The operational risk is inherent to all the company's activities.

The politics defined for the administration of the operational risk have taken into account the type of events that could generate significant risks and their ways of action, in order to eliminate or decrease the losses of financial or reputational nature.

### **1.1.9. Elements of perspective concerning the activity of the company.**

One of the products with a great potential of increasing in the future is the balneary tourism. The unities of the company are situated in resorts natural treatment factors. The society identified this opportunity and obtained a license of exploitation of these natural resources, extending its capacity of treatment bases, in order to cover the demand for such services.

This segment of the balneary tourism will help us to attract tourists from abroad, especially from the European area. The European norm no. 24/2011 states the right of the patients within the cross-border medical assistance, insuring the legal framework for guaranteeing the right of the European citizens, of receiving medical services in all the countries in the European Union. One of the main preoccupations of the company is to attract this segment of tourists.

Another direction of development is the recreational tourism. In this area, year after year there appeared new recreational facilities. During the summer season there are festivals( "Callatis") and concerts ("Liberty Parade") which attract younger tourists, segment of the market, in which we are directly interested. A major preoccupation of the society is represented by the extension of the channels of distribution. The society searches for new clients permanently, but pays due care also to building consumer loyalty in relation to the already existent clients.

## **2. Tangible assets of the company**

### **2.1. The main accommodation and public food service, of the company, included in the touristic circuit in 2014, consist of:**

#### **Accommodation unities**

- 2 four-star hotels, with a total capacity of 992 accommodation places
- 7 three-star hotels, with a total capacity of 3.220 accommodation places
- 14 two0star hotels, with a total capacity of 3.624 accommodation places

### Public food service units

- 2 four-star restaurants, with a total capacity of 1.440 places
- 7 three-star restaurants, with a total capacity of 3.855 places
- 13 two-star restaurants, with a total capacity of 6.938 places
- 1 two-star cafeteria, with a total capacity of 170 places
- 2 one-star cafeterias, with a total capacity of 150 places
- 2 four-stars bars, with a total capacity of 120 places
- 7 three-stars bars, with a total capacity of 466 places
- 2 two-stars bars, with a total capacity of 152 places

### Recreational units

- 3 aqua parks: Bran-Brad-Bega Complex, Balada and Cleopatra with a total capacity of 850 places

### Balneary treatment units

- 4 treatment bases: Bran-Brad-Bega Complex, Hora, Balada and Sirena with a total capacity of 5.350 proceedings per day

Overall, in 2014, the company had in the touristic circuit 7.836 accommodation places and 13.291 public food service places.

Category Classification	Eforie Nord		Eforie Sud		Neptun		Venus		Saturn		Overall total	
	uni ts	capac ity	uni ts	capac ity	unit ati	cap	uni ts	capac ity	uni ts	capac ity	uni ts	Plac es
Hotels	1	438	0	0	0	0	0	0	1	554	2	992
****	1	438	0	0	0	0	0	0	1	554	2	992
***	0	0	0	0	1	652	1	262	5	2306	7	3220
**	3	554	3	672	0	0	2	420	6	1978	14	3624
<b>Accommodation total</b>	<b>4</b>	<b>992</b>	<b>3</b>	<b>672</b>	<b>1</b>	<b>652</b>	<b>3</b>	<b>682</b>	<b>12</b>	<b>4838</b>	<b>23</b>	<b>7836</b>

Category classification	Eforie Nord		Eforie Sud		Neptun		Venus		Saturn		Overall total	
	uni ts	capac ity	uni ts	capac ity	unit s	capac ity	uni ts	capac ity	uni ts	capac ity	uni ts	Plac es
<b>Restaurants</b>												

****	2	600	0	0	0	0	0	0	1	840	3	144
***	0	0	0	0	1	770	0	0	6	3085	7	385
**	1	900	2	828	0	0	3	1358	5	3852	11	693
<b>Total of Restaurants</b>	<b>3</b>	<b>1500</b>	<b>2</b>	<b>828</b>	<b>1</b>	<b>770</b>	<b>3</b>	<b>1358</b>	<b>12</b>	<b>7777</b>	<b>21</b>	<b>122</b>
<b>Category classification</b>	<b>Eforie Nord</b>		<b>Eforie Sud</b>		<b>Neptun</b>		<b>Venus</b>		<b>Saturn</b>		<b>Overall total</b>	
	uni ts	capac ity	uni ts	capac ity	unit s	capac ity	uni ts	capac ity	uni ts	capac ity	uni ts	Plac es
<b>Day bars</b>												
****	1	80	0	0	0	0	0	0	1	40	2	120
***	0	0	0	0	1	106	0	0	6	360	7	466
**	1	120	0	0	0	0	0	0	1	32	2	152
<b>Total of day bars</b>	<b>2</b>	<b>200</b>	<b>0</b>	<b>0</b>	<b>1</b>	<b>106</b>	<b>0</b>	<b>0</b>	<b>8</b>	<b>432</b>	<b>11</b>	<b>738</b>
<b>Cafeterias</b>												
**	0	0	0	0	0	0	0	0	1	170	1	170
*	0	0	1	60	0	0	0	0	1	90	2	150
<b>Total of cafeterias</b>	<b>0</b>	<b>0</b>	<b>1</b>	<b>60</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2</b>	<b>260</b>	<b>3</b>	<b>320</b>
<b>Total of public food service</b>	<b>5</b>	<b>1700</b>	<b>3</b>	<b>888</b>	<b>2</b>	<b>876</b>	<b>3</b>	<b>1358</b>	<b>22</b>	<b>8469</b>	<b>35</b>	<b>132</b>
												<b>91</b>

## 2.2 Description and analysis of the ageing degree of the properties of the commercial company

The owned assets of the company have an age of over 45 years, in general having been built during 1968-1972. The assets that are in the touristic circuit have classification certificates and legal functioning authorizations, following the legal requirements for the associated comfort category.

A part of the assets have been modernized in the last 10 years, the comfort degree was increased from one or two stars to three and four stars. The carried on work was on a large scale, including also consolidations, that is why these record a lower ageing degree than their own age.

A particularity of the activity is represented by the existence in patrimony of some productive and auxiliary units that are in conservation and others in partial usage, that carve the basic activity and the economic outcome, given the investment necessary and the acute lack of funding, the low market of the immovable market and implicitly the reduced possibility of valorizing the assets authorized for sale through the company's strategy.

These assets generate fixed expenses, as well as variable expenses necessary for the conservation, fixed expenses like taxes and fees, being forfeited by the Fiscal Code, with quota between 1.8-20% applicable to the accountancy value of the buildings and of the free fields associated with these assets.

To optimize these costs we scheduled the partial functioning of some assets where it is possible, the result being obviously negative, but this was the best choice for the company.

### **2.3 List of the hypothetic problems related to the right of ownership on the tangible assets of the company.**

The main litigations related to the ownership right of the company on tangible assets, namely lands, refer to:

- Land consisting of 547 square metres – Lot 41 in Saturn
- Land consisting of 2,8 ha in Saturn
- Land consisting of 417 square metres corresponding to the Ancora Hotel
- Land for Restaurant Venus in Eforie Nord
- Land consisting of 197 mp corresponding to the Thechnic Office Eforie

In all these litigations, THR takes part and formulated defence claims coming to be heard by the courts of competent jurisdiction and the society does everything for defending the ownership right on the patrimony.

## **3. The market of securities issued by the company**

### **3.1. List of the markets in Romania and other courtiers where securities are issued by the company.**

It is a company owned publicly, according to the terminology stipulate under the Law 297/2004 regarding capital market, being registered at the National Real estate Committee- The office for keeping track of the real estate.

The shares at THR Marea Neagra S.A. are listed in the second category of the Stock Market in Bucharest, starting with August 15<sup>th</sup>, 2002, with the “EFO” symbol. In the last day of transaction in 2014, namely, 30.12.2014, when the Stock exchanges were closed, THR Marea Neagra SA shares valued 0, 0588 lei/per share, compared to 0,063 lei/per share at 31.12.2013. Along the year at The Stock Market in Bucharest there were transactions for 12.849.346 shares ( almost half compared to the preceding year, the value of these transactions consisting of 761.387 lei, the part that was transacted in the segment of de 23% owned by the share holders.

**3.2. Description of the policy of the company regarding dividends. The list of the due/paid dividends accumulated in the past 3 years, and if it is the case of the motives for the eventual decrease of the dividends during the past 3 years dividends.**

In 2012, The General Meeting of the Shareholders decided to distribute dividends amounting to de 1.042.109, 89 lei, namely 0, 0018 lei/share, and the rest of the profits being used for building reserves for the development of the company.

In 2013, the share holders of the company decided that the profit of the company should be used for taxes established exclusively by the law, and the rest of the net profit should be used by the company for financing investments.

For 2014 we will suggest the distribution of dividends amounting to 2.026.325, 00 lei, the rest of the profit being allotted for constituting legal reserves and allotments for fund dedicated to the development of the society.

**3.3. Description of any activities of the company, consisting of buying its own shares.**

The company did never buy personal shares.

**3.4. In case the company has other branches, the list including the number and the face value of the shares issued by the parent company and owned by branches of the company.**

The company is a sole share holder of SC Balneoterapia Saturn SRL, being the only branch

owned, Balneoterapia Saturn SRL does not own any share issued by THR Marea Neagra SA.

**3.5. In case the company issued bonds and /or other debt securities, the description of the how the company pays its bonds in relation to the owners of such securities.**

The company did not issue bonds or other debt securities.

**4. The management of the company**

**4.1. Presentation of the list with the managers of the company and of the following information for each manager:**

a) the company is administrated by a Managing Board consisting of three members appointed by the General Meeting of the Share holders. All along 2013, the members of the managing Board were the following:

- Lucian Ionescu - Chairman
- Titus Prescure - Member
- Nicolae Butoi - Member

All the members of the managing Board were suggested by the major share holder of S.I.F. Transilvania.

*b) any agreement, settlement or family connection between the respective manager and another person due to whom the respective person was appointed as manager.*

It is not the case

*a) contribution of the manager in the capital of the company;*

DI. Lucian Ionescu, chairman of the Managin Board, owns 10.000 shares issued by the company.

*d) list of the people affiliated of the company.*



*The person affiliated of the THR Marea Neagra SA company is SIF Transilvania SA company which owns 77,71 % of the shares issued by THR Marea Neagra SA;*

**4.2. Presentation of the list including the member of the executive board of the company. The presentation of each piece of information for each of them:**

The Chief executive officer is Mrs. Linica Stan.

*a) the person is part of the executive board during the period:*

The Chief executive officer, signed an agreement with the company, according to the provisions under the Law 31/1990 regarding companies, agreement expiring on 30.01.2015.

*b) any agreement, settlement, or family connection between the respective person and another person due to whom the respective person was appointed as a member of the executive board*

It is not the case

*b) contribution of that person in the capital of the company.*

*Within the executive board, Mrs. Linica Stan owns 20.736 shares*

**4.3. For all the people presented at points 4.1. and 4.2. list of the eventual litigations or administrative proceeding they were involved, in the past 5 years, related to their activity within the emitter, as well as those who are related to the capacity of that person of fulfilling his/her attributions within the emitter.**

It is not the case

**5. Financial-accountancy situation**

In 2014, THR Marea Neagra SA organized its accounting system according to OMF 881/2012 and OMF 1286/2012 for the approval of the accounting regulations in conformity with the International financial reporting standards, applicable to the companies whose values are admitted in order to be transacted on a regulated market. By means of these orders, it was stated that the companies whose securities are introduced on the regulated market, which also includes THR Marea Neagra SA are obliged to draft financial statements in conformity with IFRS starting with those in 2012.

Financial statements which have been heard by S.C. A.B.A. Audit S.R.L. Timisoara.

The situation in the dynamics of the main assets on 31.12.2014 compared to the similar elements in 2012 and 2013, are the following:

lei

Asset	Value on 31.12.2012 (lei)	Value on 31.12.2013 (lei)	Value on 31.12.2014 (lei)	Vari- ation 2014/2013 (%)	Share in total of as- sets (%)
Intangible assets	114,998	68,295	42,445	62.15	0.02
Tangible assets	224,895,576	217,226,553	204,233,419	94.02	87.67
Investment property	1,654,202	3,109,159	3,351,613	107.80	1.44
<b>TOTAL OF INTANGIBLE AS- SETS</b>	<b>226,664,776</b>	<b>220,404,007</b>	<b>207,627,477</b>	<b>94.20</b>	<b>89.13</b>
Stocks	1,262,482	1,241,400	942,313	75.91	0.40
Debt securities	11,483,961	11,530,755	4,488,333	38.92	1.93
Short term investment	1,336	1,336	1,336	100.00	0.00
Cash	2,298,565	1,027,187	12,499,360	1,216.85	5.37
Securities owned for sale	492,709	11,437,218	7,350,672	64.27	3.16
Advance expenses	25,609	42,661	35,153	82.40	0.02
<b>TOTAL OF CURRENT ASSETS</b>	<b>15,564,662</b>	<b>25,280,557</b>	<b>25,317,166</b>	<b>100.14</b>	<b>10.87</b>
<b>TOTAL OF ASSETS</b>	<b>242,229,437</b>	<b>245,684,564</b>	<b>232,944,643</b>	<b>94.81</b>	<b>0</b>

Among the assets of the company the greatest share is held by intangible assets 89, 13%), especially terrains and buildings, and current assets represent 10, 87%.

On 31.12.2014, we notice a decrease of 5.80 % compared to 2013 and 8% compared to 2012, recording intangible assets amounting to 207.627.477 lei, compared to 220.404.007 lei on 31.12.2013 and 226.664.776 lei in 2012.

Analysing the structure, tangible assets represent 88 % of the total of the non current assets, their decrease determining the decrease of the total. The sold of the non currents assets on 31.12.2014 was influenced positively by the introduction in the patrimony of the investments realised in 2014 of approximately 19.747.000 lei and removal from the patrimony, out of which the main ones being the harmonisation of the assets corresponding to the fiscal year, sales of assets ( terrains at Nunta zamfirei, Vacanta Dunarea village, Access path Cocorul), reclassification of the intangible assets as assets for sales, namely Alfa Hotel and Beta Hotel with the corresponding lands and the negative differences in the re-evaluation as a consequence of the underrating of the fair value.

The increase of the intangible assets is determined by the value of the investments realised in 2014

The International Financial Reporting standards (IFRS) imposed the reclassification of some assets according to the way they are used.

Assets classified as real estate investments, namely for renting were evaluated by a real estate appraiser in view of presenting the true value of the real estate when the financial statements were drafted. The increase of the true value of the assets reclassified as real estate investments was recognized in the profit and loss account.

Speaking about non current assets we can notice that it is situated at the same level compared to the preceding year.

In the structure, the comparative analysis of the stocks corresponding to the investments which are not ended, are smaller than those in the past year, being proportional with the volume and the chart of investments planned for this year.

At the same time, we notice a decrease of the assets owned for sale, included in the stock category, from 11,437,218 lei in 2013 up to 7,350,672 in 2014 as a result of selling the complexes Pajura, Cocorul and Vile Balea, Lacul, Mara with the corresponding lands, the company

reclassifying in 2014 in the category of assets owned for sale Alfa Hotel and Beta Hotel with the corresponding lands.

The decrease of the level of the comparative stock compared to the beginning of the year is determined by the use of the stocks purchased for the investments made.

The debts securities include mainly the rates corresponding to the sales of assets paid by instalments( rates amounting to 2.331.581,71 lei which have the final date of payment after 01.01.2015) and from debts securities in relation to the state budget represented by the VAT to be recuperated amounting to 1.537.227,10 lei (as a result of the investments and of the purchase made, their decrease coming on the one hand from VAT recuperation and on the other hand part of reaching the final date of payment of the sale purchase agreements concerning the assets to be paid in instalment)

In 2011-2012, the company sold its portfolio with shares owned for sale, so there remained only a small pack of shares not quoted at the stock exchange.

The increase of cash in 2014 is explained by the cash in for selling the assets owned for being sold, realised in the 4<sup>th</sup> trimester.

In 2014, passive jobs had the following evolution.

lei

<b>PASSIV</b>	<b>Value at 31.12.2012 (lei)</b>	<b>Value at 31.12.2013 (lei)</b>	<b>Value at (lei)</b>	<b>Vari- ation201 4/2013 (%)</b>	<b>Share in the total pass- ive (%)</b>
Social Capital	57,894,994	57,894,994	57,894,994	100.00	24.85
Bonuses from the capital	1,895,814	1,895,814	1,895,814	100.00	0.81
Reserves	17,328,756	19,569,568	20,980,920	107.21	9.01
	113,894,73	112,875,88			
Re-evaluation differences	3	5	87,713,839	77.71	37.65
Rated earnings	41,084,182	42,065,079	52,324,107	124.39	22.46
Result of the financial year	3,379,192	1,442,674	6,033,421	418.21	2.59
	-	-			
Other elements similar to the capitals	11,589,784	11,323,005	-10,861,023	95.92	-4.66

	<b>223,887,88</b>	<b>224,421,00</b>			
<b>TOTAL OF EQUITY CAPITALS</b>	<b>7</b>	<b>9</b>	<b>215,982,072</b>	<b>96.24</b>	<b>92.72</b>
<b>AVERAGE AND LONG TERM DEBTS</b>					
<b>TOTAL OF SHORT TERM DEBTS</b>	<b>11,600,654</b>	<b>11,602,587</b>	<b>10,849,326</b>	<b>93.51</b>	<b>4.66</b>
	<b>6,740,896</b>	<b>9,660,968</b>	<b>6,113,245</b>	<b>63.28</b>	<b>2.62</b>
<b>TOTAL LIABILITIES</b>	<b>242,229,43</b>	<b>245,684,56</b>			
	<b>7</b>	<b>4</b>	<b>232,944,643</b>	<b>94.81</b>	<b>100.00</b>

Within the liabilities, the greatest share consists of equity capitals (approximately 92,72 %), social capital representing 24,85% of the total of the liabilities of the company, re-evaluation differences 37,65% and other re-evaluation elements are reflected in the liabilities of the company as a result of the application of financial reporting standards.

There were not any changes related to the social capital or capital bonuses, legal reserves increased through the distribution of the profit of the financial year. The re-evaluation differences decreased in 2014 based on the sales of assets and of the redistribution of the value of the intangible assets next to the true value.

We would like to mention that the re-evaluation performed after.01.2004 (the date when the fiscal code came into force) are not recognized financially, so the differences from result re-evaluation are recognized financially as element similar to the income varying according to the harmonisation of the intangible assets and of their removal from the patrimony. For these temporary differences between the accounting value and the fiscal value, IAS 12 imposes the calculation of a deferred income tax, which diminishes the value of the equity capitals (included in the table above among the elements similar to the capitals) and is added to the debts

The retained earnings increase compared to preceding year mainly based on the transfer of surplus realized corresponding to the assets sold to the patrimonial re-evaluation.

Long term debts come mainly from the differed income tax amounting 10.849.326 lei. This tax is not exigible, and it is going to be recognised as a payable debt, when the intangible assets are harmonised or removed from the patrimony.

Short term debts consist of commercial/salary financial an other, with the date of payment after 01.01.2015, the company not having remaining debts.

### **Result of the fiscal year**

Lei

<b>Indicator</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>Index 2014 / 2013 (%)</b>
<i>Income from accommodation</i>	16,052,377	12,271,329	17,585,735	143.31
<i>Income from public food service</i>	10,397,669	9,361,993	8,731,786	93.27
<i>Income from rents</i>	300,075	240,797	272,410	113.13
<i>Other income included in the turnover</i>	3,644,476	6,284,743	3,110,291	49.49
<i>Income from intangible assets given away and assets for sale</i>	11,979,723	1,941,321	15,665,455	806.95
<i>Other income</i>	1,057,975	2,300,464	1,709,978	74.33
<i>Variation of the stocks</i>	212,702	176,277	147,476	83.66
<b>Exploitation overall income</b>	<b>43,644,996</b>	<b>32,576,923</b>	<b>47,223,130</b>	144.96
<i>Expenses regarding stocks</i>	7,967,701	7,019,743	6,365,527	90.68
<i>Expenses concerning the utilities</i>	3,137,848	2,688,897	2,209,065	82.16
<i>Expenses for bonuses for the employees</i>	7,502,440	7,986,362	7,639,345	95.65
<i>Expenses for the harmonisation and depreciation of the assets</i>	6,249,678	6,411,321	5,881,378	91.73
<i>Expenses for intangible assets given away and assets owned for selling</i>	8,174,983	1,237,320	9,566,378	773.15
<i>Expenses for other taxes and payments</i>	1,380,658	1,516,893	2,625,722	173.10
<i>Expenses for eternal service provision</i>	3,873,147	3,106,876	3,802,296	122.38
<i>Other expenses</i>	826,201	629,351	924,002	146.82
<b>Overall exploitation expenses</b>	<b>39,112,656</b>	<b>30,596,762</b>	<b>39,013,714</b>	127.51
<b>Exploitation result</b>	<b>4,532,340</b>	<b>1,980,161</b>	<b>8,209,416</b>	414.58
<i>Income</i>	724,157	1,839,182	316,604	17.21
<i>Expenses</i>	760,826	1,992,406	575,732	28.90
<b>Financial result</b>	<b>-36,668</b>	<b>-153,224</b>	<b>-259,128</b>	-
<b>The result before taxation</b>	<b>4,495,672</b>	<b>1,826,937</b>	<b>7,950,288</b>	435.17
<i>Expenses for current income tax</i>	1,052,359	128,250	1,939,044	1511.93
<i>Expenses for deferred income tax</i>	64,120	256,013	-1,764	-
<i>Income corresponding to the deferred income tax</i>	0	0	20,413	-
<b>NET result</b>	<b>3,379,192</b>	<b>1,442,674</b>	<b>6,033,421</b>	418.09

From the point of view of the type of activity which generated profit in 2014, there can be noticed two big categories of activities: basic activity of the company, which assured 26, 54 % of the income achieved and the activity of selling assets according to the strategy approved by The General Meeting of the Share holders for restructuring the company, which represents 73, 45% of the income. Based on the two components of the activity of the society, the income and the expenses look like this:

Lei

<b>Indicator</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>Index 2014 / 2013 (%)</b>
Income obtained from the basic activity	32,389,431	32,474,785	31,874,279	98.15
Expenses for the basic activity	31,698,499	31,351,848	30,023,068	95.76
<b>Gross profit obtained from the basic activity</b>	<b>690,932</b>	<b>1,122,937</b>	<b>1,851,211</b>	164.85
Income from selling assets	11,979,723	1,941,321	15,665,455	806.95
Expenses for selling assets	8,174,983	1,237,320	9,566,378	773.15
<b>Gross profit from selling assets</b>	<b>3,804,740</b>	<b>704,000</b>	<b>6,099,077</b>	866.35
Overall income	44,369,154	34,416,105	47,539,733	138.13
Overall expenses	39,873,482	32,589,168	39,589,446	121.48
<b>Profit brut</b>	<b>4,495,672</b>	<b>1,826,937</b>	<b>7,950,288</b>	435.17
Profit taxation	1,116,479	384,263	1,918,631	499.30
<b>Net profit</b>	<b>3,379,192</b>	<b>1,442,674</b>	<b>6,031,657</b>	418.09

The basic activity generated a profit of 1.851.211 lei and the activity consisting of selling assets generate a gross profit from intangible and non current assets amounting 6.099.077 lei.

Compared to the budgetary provisions and the achievements of the preceding year, the income and expenses capitals corresponding to the two basic activities of the company look like this:

Lei

<b>Indicator</b>	<b>2013</b>	<b>BVC</b>	<b>2014</b>	<b>Index 2014 / 2013 (%)</b>	<b>Index 2014 / BVC (%)</b>
Income obtained from the basic activity	32.474.785	34,437,123	31,874,279	98.15%	92.56%
Expenses for the basic activity	31.351.848	32,662,592	30,023,068	92.45%	91.92%
<b>Gross profit obtained from the basic activity</b>	<b>1.122.937</b>	<b>1,774,531</b>	<b>1,851,211</b>	<b>5.70%</b>	<b>104.32%</b>
Income from selling assets	1.941.321	7,296,000	15,665,455	48.24%	214.71%
Expenses for selling assets	1.237.320	3,327,238	9,566,378	29.46%	287.52%
<b>Gross profit obtained from selling assets</b>	<b>704</b>	<b>3,968,762</b>	<b>6,099,077</b>	<b>18.78%</b>	<b>153.68%</b>
Overall income	34.416.105	41,733,123	47,539,733	146.39%	113.91%
Overall expenses	32.589.168	35,989,830	39,589,446	121.91%	110.00%
<b>Gross profit</b>	<b>1.826.937</b>	<b>5.743.293</b>	<b>7,950,288</b>	<b>24.48%</b>	<b>168.22%</b>
Profit taxation	384.263	1,308,805	1,939,044	5.97%	148.15%
Income corresponding of the deferred profit taxation	<b>0</b>	<b>0</b>	<b>20.413</b>	<b>0</b>	<b>0</b>
<b>Net profit</b>	<b>1.442.674</b>	<b>4.434.488</b>	<b>5,815,339</b>	<b>17.91%</b>	<b>168.25%</b>

As it can be noticed, the company achieved the income and the expenses of the basic activity at the level mentioned in BVC, accumulating a profit from the basic activity of 104, 32% compared to the budgetary provisions. For selling assets the degree of achievement of the profit is 153, 68 % and it is due to the sale of some assets in December 2014.

In conclusion, at the end of the year 2014, THR Marea Neagra SA recorded a gross profit of 7,950,288 lei , at the level of 168,22% of the gross profit stipulated in the income and expenses Budget approved by the General Meeting of the Share holder. This profit is correlated to a net profit of 5,815.339 lei, compared to 4.434.488 lei that was established through the income and expensed Budget, with a profit rate of 12.23 %.

### **The funding of the activity**



In 2014, S.C. THR Marea Neagra S.A. funded its activity by using its own financing sources, as well as by contracting two lines of credit amounting 16.292.000 lei and an investment credit amounting 1,000,000 lei, which were fully covered by the end of the year. Three lines of credit were used for financing the activity and the work which involved investments, during the 1<sup>st</sup> term in 2014.

Concerning the honouring of the payment obligations, the company does not have remaining debts, payment being done within the requested period, stipulated in the contract, namely the legal terms for debts in relation to the state budget.

## **6. Corporate governance**

The Managing Board organized meetings monthly, according to the Law 31/1990 republished, its attributions being stipulated in the Articles of incorporation.

The Managing Board monitored the operational performances of the executive board by means of the indicators and performance criteria set in the income and expenses Budget and other programs approved.

During 2014 the activity of the manager focused on the achievement of the object of activity of the society according to the decisions made by The General Meeting of the Share holders, legal provisions and the provisions of the Articles of Incorporation.

One of the permanent preoccupations of the managers was to increase the number of sales by developing the sales segment, finding new clients and building consumer loyalty. At the same time, the company aimed at improving the policy of advertising the touristic products, by launching special offers and personalized offers for specific categories of tourists.

At the same time, The Managing Board was preoccupied with the sale of assets, approving minimum prices and the selling conditions of these assets. The searched actively for potential clients, organized public auctions and advertised properly such transactions.

One of the objectives of the Managing Board is to register in the Real estate Register, all the real estate of the company. In 2013, this process was accelerated, so at the end of the year, the terrains registered in the Land register represented more than 95% of the area owned by the company and we estimated that in 2015, all the terrains and buildings of the company would be registered in the Land Register.

The litigations of the company are monitored systematically by the Managing Board, so during each meeting, the Managing board had on their agenda at least one point related to the main lit-

igations of the company, related to the claims of recovery formulated by supposed owners. The managing board analysed the options that the company has in these cases and, where it was necessary, employed Law firms specialised for this kind of litigations.

Within the company there are 2 committees, having the following components:

- The Audit Committee: Lucian Ionescu and Prescure Titus
- The remuneration Committee: Prescure Titus and Butoi Nicolae

The company is administered in a one tier corporate model, the executive board of the company being represented by Mrs. Linica Stan in as Chief Executive. The attributions of the Chief executive are clearly established being stipulated in the contract of mandate signed with the company.

Within the company a system of internal control was implemented, establishing working proceedings for the main activities. Internal control is insured at all levels, a financial internal control and inventory office being organized within the company.

With the activity consisting of the Internal Audit was externalised, and in this respect the company signed an agreement S.C. MAN-CO S.R.L. Bucuresti. Internal Audit id directly subordinated to the Managing Board.

The company did not accede to a Corporate Governance code, looking for the approval of a personal code in the near future.

The accounting reports of the company are drafted by the accounting office and are verified by the chief accountant of the company. After performing check-ups, the financial statements are sent to the chief executive officer and to the managing board, for approval.

On 31.12.2014 the company has a social capital amounting 57.894.993,9 lei, subscribed and paid capital, consisting of a number of 578.949.939 registered shares, dematerialised and indivisible with a registered value of 0,1 lei/per share. This way the company observes the provisions of article 10 under the Law 31/1990 concerning the companies, regarding the minimum level of the social capital for joint stick companies. The entire share can be transacted freely at the Stock Exchange in Bucharest, without any limitations related to the ownership of securities, the necessity to obtain the approval of the emitter or of other owners of securities. The company has never purchased its own shares.

Along the year 2014 the social capital was not changed, the structure of the share holders on 31.12.2014 as it was transmitted by the Depository Bank by means of the address no. 1149/13.01.2015 is the following. :

<b>Share holders</b>	<b>%</b>	<b>Number of shares</b>	<b>Value of the capital (lei)</b>
SIF Transilvania S.A.	77,71%	449.920.140	44.992.014,00
A.V.A.S.	0,09%	516.915	51.691,50
Other share holders legal entities	14,35%	83.098.239	8.409.823,90
Other share holders individuals	7,85%	45.414.645	4.541.464,50
<b>TOTAL</b>	<b>100,00%</b>	<b>578 .949. 939</b>	<b>57 .894 .993,90</b>

The company does not have any schemes of giving shares to the employees and there are not any restrictions concerning the voting rights. At the same time the company does not know about any agreements between the share holders, which could result in restrictions related to the transfer of securities and /or of the voting right.

The appointment or the replacement of the members of the Managing Board, as well as the modification of the articles of incorporation are done according to the legal provisions, the society not having any special regulations in this respect. By now, the suggestions referring of the members of the managing board were made by the major share holder, the appointment being decided by the General Meeting of the Share holders. The chairman of the managing board is voted by the members of the managing board.

The members of the managing board do not have any attributions concerning the issue or the repurchase of the shares. In the management agreement, it is stipulated that in case the company or the managers stop the execution of the mandate, without giving reasons, by cancellation or resignation, they shall be made responsible for the eventual damages that could affect the other party.

The company doe not have any agreements in force, it can be modified or cancelled according to the change in the control of the company.

The meetings of the General Meeting of the Share holders include the following:

- checking the attendance list of the share holders, of the social capital that each of them represents and concluding on the fulfilment of the legal demands and provisions of the Articles of incorporation for organising a General meeting.
- the points in the agenda are presented and put to the vote;
- the decisions of the General meeting of the Share holders are made by open vote, except for the appointments of the managers and of the financial auditory for which secret vote is compulsory.
- the result of the vote is checked and written in the proceedings of the meeting.

According to the provisions under the Law 31/1990 and of the status of the company, The General Meeting of the Share holders has the following main attributions:

- a) to discuss, to approve or modify the annual financial statements, based on reports presented by

the managing board and by the financial auditor, and to set the dividend;

b) to choose and to resign members of the managing board, to appoint or fire the financial auditor and to establish the minimum period of the agreement with the financial auditor;

c) to set the adequate remuneration of the members of the managing board for the present financial year;

d) to make a decision concerning the management of the managing board;

e) to set the income and expense budget, and, if it is the case, the plan for the next financial year;

f) to decide employment, the renting or the closing of one or of more units of the company.

Share holders have non patrimonial rights (the right to participate in the general meetings of the share holders, the right to vote the right to be informed) and patrimonial rights (the right to get dividends and the right to sell the shares)

## **7. Conclusions and suggestion of distributing the profit of the company**

In 2014 the company operated according to the provisions of the article of incorporation, according to the decisions of the General Meeting of the Share holders, of BVC, observing the legislation in force concerning the organization and the reflection the accounting system, both of the specific activity and of the regulations of the capital market.

The Managing Board suggest to the General Meeting of the Share holders to distribute the net profit obtained by the company in 2014, amounting 5.794.926,78 lei in the following way:

1. For the legal reserve, according to art. 183 under the Law 31/1990 of the companies, republished:  
317.638,23 lei;
2. Distribution of dividends to the share holders 2.026.325,00 lei;
3. Distribution for other reserves 3.450.963,55 lei;

**THE CHAIR OF ADMINISTRATION**

**EC. LUCIAN IONESCU**