

Translation from Romanian

**TURISM, HOTELURI, RESTAURANTE
MAREA NEAGRA S.A.**

Head office: Romania, Mangalia, 29 Lavrion Street, Constanta County, tel.: +40-241-752-452; fax: +40-241-755-559

No. registration at Trade Register Constanta: J13/696/1991, CIF: RO2980547,
IBAN account: RO71 RNCB 0117 0151 6314 0001, Romanian Trade Bank- Mangalia subsidiary
Social subscribed and paid up capital: 57.894.993,9 lei

Two tier corporate model

www.thrmareaneagra.ro

**ANNUAL REPORT
On the consolidated financial situations of
THR MAREA NEAGRĂ SA**

Made according to the Law of Accountancy no. 82/1991, OMFP 2844/2016 for the approval of the accounting Regulations according the International Standards of financial reporting, Law 24/2017 concerning the capital market and the ASF Regulation no. 5/2018 concerning the issuing persons and the operations with exchange securities,

for the consolidated financial year terminated at the date of 31 December 2018

Denomination of the trade company: **Turism, Hoteluri, Restaurante Marea Neagră S.A.,
Two tier corporate model
-Mother-company**

Head office: 29 Lavrion Street, Mangalia, Constanța County

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

Sole registration code at the Trade Register Office: 2980547

Trade Register registration number: J13/696/1991

Regulated market on which are trade the issued property values: Bucharest Stock Market

Social subscribed and paid capital: 57.894.993,9 lei

Main characteristics of the property values issued by the trade company: nominal shares, ordinary, dematerialized and undividable with a nominal value of 0,1 lei/share.

Denomination of the trade company: **Balneoterapia Saturn SRL - subsidiary**

Head office: 29 Lavrion Street, Mangalia, Constanța County

Telephone number/facsimile: 0241-75.24.52

Sole registration code at the Trade Register Office: 14271182

Trade Register registration number: J13/1910/2001

Social subscribed and paid capital: 2000 lei

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Main characteristics of the property values issued by the trade company: the shares of the company are not traded on a regulated market, the shareholders' registration being kept by the administrators with the help of the shareholders' Register

Starting with the date of 8.11.2017, the mother-company THR Marea Neagră S.A. is administered by a Board of Supervisors formed by 3 members:

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

The Board of Supervisors established two commissions, with the following componence:

- The Audit Commission: Mielu Dobrin and Florin Dănuț Buzatu
- The designation and remuneration Commission: Dragoș Călin and Florin Dănuț Buzatu.

The company adhered to a Code of Corporatist Governance, annually ellaborating the Conformity statement, regulated by CGC.

At the date of issuance of the present Report, THR Marea Neagră SA does not have any knowledge about the existence of agreements or family connections of the members of the Board of Supervisors and other persons thanks to which they were delegated as administrators.

At the date of ellaborating the present Report, THR Marea Neagră SA does not have any knowledge about the existence of any litigations or administrative procedures against the Board of supervisors, about their activity within the issuer or which concern the capacity of the respective person to accomplish his attributions within the issuer.

The Board of Supervisors has at base the principles of corporatist governance, which rules a responsible, professional and ethic attitude of the Company reported to the main interested parties. Within the Council it is analyzed the strategy of the Company and the premises of the environment in which it functions to plan the evolution of THR Marea Neagra and its performances, ensuring a rigorous formulation of the objectives. Within the Board of Supervisors, the Directorate of the Company provided detailed information referring to the financial situations of the year 2008.

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The Board of Supervisors was interested in the improvement of the Company profitability and also in maintaining its image of solid and reliable partner for all its collaborators.

The consolidated financial situations and the audit report were presented for examination to the Board of Supervisors.

The Annual report of the Directorate issued according to the requirements of the law of capital market, was approved by Board of Supervisors' members. The report of the Directorate offers an accurate and correct image of the results of the Company for the financial year 2018.

President of the Board of Supervisors,
Eng. Mielu Dobrin

The Report of the Directorare THR Marea Neagră SA afferent to the *consolidated financial situations* for the year 2018

The annual report according to: the Law of accountancy no. 82/1991, OMFP 2844/2016 for the approval of the accountancy Regulations complying with the International Standards of financial reporting, Law 24/2017 concerning the capital market and the ASF Rules no. 5/2019 referring to the issuants and the operations with exchange securities.

The group for which they were made the present financial situations is formed by the company Turism, Hoteluri, Restaurante Marea Neagră SA, two-thier company and its subsidiary Balneoterapia Saturn SRL („The Group”).

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1. THE ANALYSIS OF THE GROUP ACTIVITY

1.1.a) Description of the main activity of the companies who are not part of the Group

The main activity of the company THR Marea Neagra SA, according to the classification is CAEN code 5510 "Hotels and other similar facilities of accommodation", respectively the providing of services of: accommodation, public food service, balnear treatment and tourism amusement.

The activity is developed through the internal working points, registered and classified according to the valid normative documents, disposing of all the functioning permits provided by the valid law.

The main activity of the company **Balneoterapia Saturn S.R.L.**, according to the classification is CAEN code 8622 "Activities of medical specialized assistance".

b) The date of establishment of the companies who are part of the Group

The trade company **THR Marea Neagră SA** was established at the date of 05.03.1991, having the name of S.C. Eforie S.A. The company changed its denomination from Eforie S.A. in THR Marea Neagră SA in the year 2005, according to the Decision of the judge designated at the Trade Register Constanta no. 10.687/24.01.2005, and in the year 2000, the company moved its

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head office in Mangalia, 29 Lavrion street, Constanta county. In the Shareholder's Meeting at 8 November 2017 it is modified the system of administration of the company in Two Tier Corporate Model, the administration of the company being therefore made by the Board of Supervisors and Directorate.

The company **Balneoterapia Saturn SRL** is a legal person registered at the Trade Register Office with no. J13/1910/2001, sole registration code 14271182.

c) Description of providers and significant reorganizations

In the year 2018, did not take place any mergers in any of the companies pertaining to the group.

Within Balneoterapia company, significant changes took place in the structure of the administrative and executive management, in the sense of dissolution of the Board of Administration and the function of general manager starting with 19.12.2018, and naming a new sole administrator starting with the same date.

Also at Balneoterapia SRL, through the decision of the General Shareholders' Meeting no. 3 at 28.09.2018 it was decided the dissolution of the company and subsequently through the decision GSM no.1 at 15.01.2019 it was revoked the decision GSM no.3 at 28.09.2018, consequence of its suspension by the Court of Constanța in the file promoted by Mr. Stan Virigil- the former General Manager of the company Balneoterapia SRL.

d) The description of acquisitions and/or assets sale

In the year 2018, the company THR Marea Neagra SA continued the strategy of development/restructuration of the company, by selling assets in the company patrimony, such as:

- Lidia Complex (building and land) in Venus;
- Riviera Hotel (building) in Eforie Sud;
- Flora Villa (building and land) in Eforie Nord;
- Land in an area of 383 sm in Holiday Village Dunarea in Saturn;
- Land Snack Bar Carmen in Eforie Nord,

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1.1.1. Elements of general assessment of the **Group**

- a) Gross profit: **10.908.772 lei**
- b) Total incomes: **64.213.156 lei** (of which operations of cancellation of provisions 386.715 lei);
- c) Turnover: **46.949.351 lei**
- d) Export: **it is not the case**
- e) Total costs: **53.304.384 lei** (minus tax on the current profit, postponed and the specific tax of **1.507.821 lei**);
- f) % of the owned market: **12,80%** of the local tourism market;
- g) available in the account: **27.985.903 lei.**

The Group develops its activity through its working points situated in the tourism localities of national interest Eforie Nord, Eforie Sud, Neptun, Venus and Saturn, being between the main companies of profile in the country.

The company THR Marea Neagra SA comprises hotel units on well consolidated positions on the national market, some of them having also European market.

The activity has a pronounced summer seasonal character, determined by the period of holidays on the Romanian Black Sea seaside.

For attenuating the seasonal character, the company oriented its investments program towards the development of internal capacities of providing medical services of balnear treatment, by using the specific nature factors of treatment, having presently 4 internal treatment units in the hotel complexes “Hora”, “Balada”, “Sirena” - Saturn and the Hotel Complex “Bran-Brad-Bega” in Eforie Nord, the last one being opened in the year 2012.

The operation activity produces incomes leading to a positive economic-financial result, capable of ensuring the coverage of all exploitation costs, but also the realization of profit partially used for the financing of investment programs.

The concentration of the incomes realized in a limited period of the year (June-August) implies the temporary financing of the activities from attracted sources, respectively bank loans, which are reimbursed depending on the realization of cashing the incomes afferent to the financial year in course.

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1.1.2. The evaluation of the technical level of the trade enterprise

Description of the main realized products and/or provided services with the mention:

a) the main retail markets for every service and distribution methods

In the year 2018, THR Marea Neagra SA exploited in direct administration a number of 6.580 accommodation vacancies and 4.892 public food service vacancies, localized in the holiday resorts on the Black Sea Romanian seaside in the units classified at the categories 4*, 3* and 2*.

The main internal products are the service packages of accommodation, public food service, balnear treatment, amusement (spa, pools, cold baths with mud).

An important distribution path is represented by the on-line sale through the specialized websites, and also through the internal sales website, the channels with the highest ascension in the last years and with a high increase of potential on the markets.

The direct sales at the hotels receptions, especially in weekends, have a significant weight in the sales, the company being organized to receive and solve the requests in the purpose of optimum coverage of the internal capacities of service provision.

The tourism product of the main accommodation capacities is also distributed on the external market based on the contracts concluded with the partners.

b) the percentage of the main categories of services, total incomes:

Indicators	Realized (lei)			Percentages in total incomes (%)			Percentages in total turnover (%)		
	2018	2017	2016	2018	2017	2016	2018	2017	2016
Total incomes	64.213.156	39.215.925	48.371.806	100,00	100,00	100,00			
Turnover, of which	46.949.351	34.854.421	35.386.102	73,11	88,88	73,15	100,00	100,00	100,00
Accommodation	29.528.562	21.016.132	20.160.054	45,99	53,59	41,68	62,89	60,30	56,97
- Food	13.932.309	10.128.015	10.617.463	21,7	25,83	21,95	29,68	29,06	30,00
- Rentals	1.139.225	606.151	1.169.102	1,77	1,55	2,42	2,43	1,74	3,3
Other incomes comprised in the turnover	2.349.255	3.104.123	3.439.483	3,66	7,92	7,11	5,00	8,91	9,72

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The total incomes (of which operations of provisions annulment 386.715 lei) registered by the Group in the financial year 2018 are in value of 64.213.156 lei, knowing an increase compared to the total incomes of the year 2017 (39.215.925 lei) with 63,74%.

Within the total incomes of the year 2018, the turnover sums 46.949.351 lei, representing an increase compared to the last year turnover (34.854.421 lei) with 34,70%.

The incomes composing the turnover in the year 2018 have been realized from the development of the following activities:

- Accommodation;
- Public food service;
- Rentals;
- Other incomes – additional services: treatment, parking lots, pools, medical services etc.

The weight in the turnover structure is represented by the activity of accommodation – 62,89%.

The incomes from the public food service represented 29,68% of the turnover, and the incomes from the rental activity registered a reduces percentage in the turnover, which is 2,43%.

The group “Other incomes” reflected in the turnover, realized through the development of secondary activities (medical services, parking lots, pools) summed 2.349.255 lei and represent, compared to year 2017, a decrease with 24,32% because of the decrease of the vacancies auctioned by the National House of Public Pensions for the packages of services with treatment.

c) New products taken in view and their stage of development

The Group has as priority to maintain, develop and create new tourism products, taking in view the exigencies of the present market for such services.

Along with the internal products concretized in: packages of accommodation services, public food service, balnear treatment, amusement, the Group will take care of the development of the existent capacities and the development and modernization of the informatics system to allow the online reservation and other services required by tourists.

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Through the tariff and contracting policy were created stimulating conditions for the tour-operator agencies, consisting in:

- facilities for families with children;
- the program “Early booking”
- the limitation at maximum 18% of the sale commissions at agencies compared to the tariffs in the contract;
- the non-commissioning of the public food services by the beneficiary, for these the provider giving a 13% commission;
- giving additional discounts (of volume) at the end of the season.

Special offers have been launched in the purpose of stimulating the sale of service packages: offers of packages all-inclusive accommodation and treatment, offers for stimulating online sales (discounts for expendable cashing, “Best deal” offers, “Last minute” offers, discounts for reservations in certain periods, packages accommodation and treatment), offers for the conference chambers, participation at the programs promoted by the employers’ organizations in tourism (“Seaside for everybody”, “Balnear ten-day period”, “Come to bathing”, “A week of recovery”).

Starting with the year 2018, we also offer to the tourists specific services on the area of beach rented from CN Romanian Waters on a 10 year period, in Saturn resort.

1.1.3.Evaluation of the activity of technical-material supply

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

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

The acquisitions were made from traditional suppliers, producers or direct importers, great companies, with accreditation on the respective materials, certified ISO, according to the European standards and normative.

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The providers are selected by a selection commission, based on some established criteria and a score, which reflects mainly the price/quality report.

The dependence of main providers is small, taking into account the high number of possible providers on the market, with similar offers.

Referring to the safety of supply sources, we mention that all the acquired raw materials are accompanied by certificates of compliance, guarantee certificates and specification sheets.

The stocks of raw materials and materials are minimum, taking into account that the main activity of the company, the activity of providing tourism services is developed in the summer season.

1.1.4.Evaluation of the sale activity

a) Description of the sales evolution sequential on the internal and external market and of the sales perspectives on medium and long term

The mother-company has developed its activity mainly based on the contracts of service provision, concluded with the tourism agencies, National House of Public Pensions (treatment contract), other beneficiaries (unions, organized groups etc.), online sales and for individual tourists who came on their own.

In the year 2018, compared to the BVC and the last year's realizations, the tourism circulation is presented in this way:

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Explanation	Treatment	Agencies	On his own+ Online	days tourist	
				Other beneficiaries	TOTAL
<i>Realized at 31 Dec 2018</i>	<i>109.664</i>	<i>261.094</i>	<i>29.297</i>	<i>35.284</i>	<i>435.339</i>
<i>BVC 2018</i>	<i>128.563</i>	<i>185.247</i>	<i>33.311</i>	<i>33.894</i>	<i>381.015</i>
Differences realized 2018 compared to BVC 2018	(18.899)	75.847	(4.014)	1.390	54.324
Percentage realization 2018/BVC 2018	85,30%	140,94%	87,95%	104,10%	114,26%
<i>Realized at 31 Dec 2017</i>	<i>128.563</i>	<i>189.201</i>	<i>32.152</i>	<i>32.619</i>	<i>382.535</i>
Differences realized 2018 compared to realized 2017	(18.899)	71.893	(2.855)	2.665	52.804
Percentage 2018/ realized 2017	85,30%	138,00%	91,12%	108,17%	113,80%
Weights in structure 2018	25,19%	59,97%	6,73%	8,10%	100,00%
Weights in structure 2017	33,61%	49,46%	8,40%	8,53%	100,00%

As you can observe, in the year 2018 it was realized a tourism circulation of 435.339 days-tourist, representing an increase compared to the budgeted indicator (381.015 *days-tourist*) with 14,26% and an increase compared to year 2017 (382.535 *days-tourist*) with 13,80%.

In the year 2018, it was registered an occupation degree of the accommodation units higher than in 2017. Therefore, in 2018 season the units were opened in the period 23.05-30.09.2018, being registered a medium degree of occupation of 73,12% and in the 2017 season the units were opened in the same period of the year, being registered a medium degree of occupation, of 67,18%.

From the analysis of the tourist circulation, we remark:

- The treatment contract concluded with the National House of Public Pensions (NHPP) ensured a tourist circulation of 109.664 days tourist, in 2018, with 18.889 days tourist less than in the budget forecast.
- The tourist circulation through the tourism agencies increased compared to the year 2017, with 71.893 days tourist, and compared to the budget forecast, it registered an increase with 75.847 days tourist. This increase is owed mainly to vacation vouchers.

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- The sales segment on their own and online registers a slight increase, increase influenced by the exploitation over the contractual vacancies of tour operators, which determined an increase of responsibilities on other channels.
- The company also concluded contracts with other beneficiaries (unions, associations, sports federations etc.) based on which it was realized a tourist circulation of 35.284 days-tourist, reported to 33.894 days tourist budgeted, which represents an increase with 4,10% compared to the budget forecast.

Another indicator of the tourist circulation, the number of tourists registered an evolution similar to the one expressed in days tourist, and the medium holiday registered similar values to the ones of last year.

Explanations	Treatment	Agencies	On their own	Other beneficiaries	Online	TOTAL
Number tourists 2018	6.911	43.561	2.888	6.166	4.517	64.043
Number tourists 2017	8.260	29.182	3.908	4.928	5.325	51.603
Differences 2018/2017	(1.349)	14.379	(1.020)	1.238	(808)	12.440
% 2018/2017	83,67%	149,27%	73,90%	125,12%	84,83%	124,11%
% 2018/ Partners	10,79%	68,02%	4,51%	9,63%	7,05%	100,00%
% 2017/ Partners	16,01%	56,55%	7,57%	9,55%	10,32%	100,00%

Average holiday						
Explanations	Treatment	Agencies	On their own	Other beneficiaries	Online	TOTAL
Average holiday 2018	15,87	6,00	3,75	5,72	4,09	6,8
Average holiday 2017	15,56	6,48	3,04	6,62	3,80	7,41
Differences 2018/2017	0,31	(0,48)	0,71	(0,90)	0,29	(0,61)

From the analysis of the situation presented above, resulted that the average holiday tourism indicator registered a slight decrease in 2018, representing 6,8 days of average holiday compared to 7,41 days of average holiday in 2017 (reduction owed to the decrease on the

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percentage of tourists who came through NHPP, respectively the increase of the percentage of the ones who came through agencies, who have shorter holidays).

The occupation degree registered on the enterprise THR Marea Neagra SA in the year 2018 was of 73,12% compared to 67,18% realized in the year 2017.

In the following years we will take into account in continuation the adaptation of the tariff policy and of contracting with the market requirements, the creation of stimulating conditions for the tour-operator agencies, with the granting of volume discounts, facilities for families with children, policy for Early Bookings, demising commissions for sales stimulation and the creation of advantages at the sale of public food services. We will give an increased attention to the online sales segment. We have in view the unfolding of special offers especially designed to ensure a growth of the tourism circulation, and also a permanent adaptation of the tourism product to the evolution of the market.

b)The description of the competitive situation, of the weight on the market of services and the main competitors

The Group unfolds the activity in an area where the main activity is represented by our object of activity, respectively the supply of services of: accommodation, public food service, amusement, the main attraction being the beach and the quality of bathing water of the Black Sea, and also the curative properties of the main natural resources of balnear treatment, the sapropelic mud of Techirghiol, the water of Terchirghiol Lake, mesothermal sulfur water, sea water and marine aerosols.

The area has the highest concentration of tourism units, which creates a strong competitive climate.

The external market represents a special competition with similar products, the tariff policy making the difference, identifying in this sense the market of Bulgarian seaside as concurrent.

b)The description of any significant dependence of the Group towards a single client or a group of clients whose loss would have a negative impact on the incomes

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The tourism products of T.H.R. Marea Neagră S.A. have an area of national distribution, being available on all distribution channels (tourism agencies, sites, direct sales etc.). As a consequence, the disappearance of a partner will not significantly affect the distribution of the tourism product.

The weight of every distribution channel in totally on year 2018:

Explanations	NHPP	Tourism agencies	On their own	Other beneficiaries	Online	TOTAL
<i>Days tourist 2018</i>	<i>109,664</i>	<i>261,094</i>	<i>10,826</i>	<i>35,284</i>	<i>18,471</i>	<i>435,339</i>
Total weight 2018 (%)	25.19%	59.97%	2.49%	8.10%	4.24%	100.00%

An important weight is represented by the client the National House of Public Pensions. Taking into account that the public acquisitions of this partner are made for the retired persons in the public sector, the non-acquisition of NHPP of these services does not annul the consume request. The health treatment being a necessary and continuous process, the product will be put on other distribution channels, so the consumer can buy the necessary product.

Correlated to the fact that our product of balnear treatment is personalized, known and approved on the market, we will not come across major difficulties, with a negative impact on incomes in the case in which one of our main partners would retire from the market.

1.1.5.Evaluation of aspects concerning the employees/staff of the Group

a)Referring to the human resources in the year 2018, compared to 2017, the staff's evolution was the following:

No crt.	Indicator	No. at 31.12.2018	Average no. in 2018	Average no. in 2017
A	No of permanent staff, of which:	111	146	149
	<i>a)Tesa staff</i>	<i>40</i>	<i>42</i>	<i>44</i>
	<i>b)Operative staff</i>	<i>71</i>	<i>104</i>	<i>105</i>
B	No seasonal staff (exclusively day laborers)	30	242	243
	Total staff	141	388	392

TURISM, HOTELURI, RESTAURANTE MAREA NEAGRA S.A.

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No. registration at Trade Register Constanta: J13/696/1991, CIF: RO2980547,
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Compared to the year 2017, in the year 2018 it is remarked a decrease of the average number of personnel, overall and in structure, seasonal and permanents.

b) The reports between the managers and the employees, regulated by the Collective Labour Contract, are based on communication, implication and team spirit, being respected the rules and procedures established through the Internal Regulation, job description, without existing conflict elements.

1.1.6. Evaluation of aspects regarding the impact of the basis activity of the Group on the environment

The basis activity of the Group is unfolded complying with the valid laws regarding the exigencies of environment protection, being obtained the environment authorizations necessary for each type of activity and on each working point.

The Group identified all its activities which might have a possible impact on the environment and regulated them according to the environment standards SR EN ISO 14001:2005 through internal procedures.

In the year 2018, the Group did not have any litigation generated by the non-complying with the legal environment regulations.

2. THE FINANCIAL-ACCOUNTING SITUATION

In the year 2018, the Group has organized its accountancy according OMF 881/2012 and OMF 2844/2016 for the approval of the accounting regulations according to the international Standards of financial report. Through these orders, it was statute that the companies whose securities are rated on the regulated market, through which is THR Marea Neagra SA, have the obligation to issue the financial situation according to the normative documents mentioned above.

According to the mentioned regulations, the financial situations of the mother-Company are annually audited by the audit company ABA Audit S.R.L. in Timișoara, based on the service supply contract no. 918/21.04.2015

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The dynamic situation of the main asset posts at 31.12.2018, by comparison to the similar elements in the years 2017 and 2016, it is presented in this way:

lei

ASSET	Value at 31.12.2018 (lei)	Value at 31.12.2017 (lei)	Value at 31.12.2016 (lei)	Value at 2018/2017 (%)	Weight 2018 in total assets (%)
Intangible assets	362.713	414.986	510.805	87,40%	0,14%
Tangible assets	179.585.902	186.590.382	216.221.771	96,25%	67,29%
Real estate investments	16.065.300	17.191.112	16.350.751	93,45%	6,02%
Financial assets	0	2.432.010	2.432.010		0,00%
Long-term receivables (including receivables regarding the postponed tax on profit)	1.416.286	1.404.650	1.394.641	100,83%	0,53%
TOTAL FIXED ASSETS	197.430.201	208.033.140	236.909.977	94,90%	73,98%
Stocks	294.218	442.154	617.359	66,54%	0,11%
Receivables	2.604.511	4.971.387	6.121.275	52,39%	0,98%
Financial assets	0	0	0		0,00%
Liquid assets	27.985.903	5.635.805	7.777.716	496,57%	10,49%
Assets classified held as for sale	37.666.185	36.516.013	11.007.555	103,15%	14,11%
Prepaid expenses and other current assets	895.292	782.016	923.873	114,49%	0,34%
TOTAL FLOATING ASSETS	69.446.109	48.347.375	26.447.777	143,64%	26,02%
TOTAL ASSETS	266.876.310	256.380.515	263.357.754	104,09%	100,00%

Within the assets of the Group the highest weight have the **intangible assets (73,98%)** and within these, the tangible assets which represent 67,29% from the total assets.

At the date of 31.12.2018, at the **intangible assets** we observe a decrease with **5,10%** compared to year 2017, increase caused by:

-The decrease registered by the indicator **Fixed assets**, consequence of getting out of the company patrimony through the sale of assets (Flora Villa in Eforie Nord-building and land; area of 383 sm in Dunarea Resort Village, Lidia Hotel and Restaurant in Venus- building and land, Snack Bar Carmen land in Eforia Nord, Saturn Confectionery- land and building), discarding fixed assets and depreciation;

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- The decrease registered by the indicator **Financial fixed assets**, consequence of impairment of financial fixed assets represented by equity investments owned at the company Transilvania Hotels & Travel SA Bucharest (in insolvency) as IFRS requires that an asset not to be impaired when they observe impairment indexes, the impairment being in sum of **2.432.010 lei**
- The decrease registered by the indicator **Real Estate Investments** (rented/for rental assets) consequence of the reclassification of the asset Claudia Complex (hotel and restaurant- building and land) from assets/rented in assets held for sale, taking into account its tender for sale in December 2018.

At the **floating assets**, representing 26,02% of the total assets of the Group, it is observed a significant increase, with 43,64% compared to the level realized in the previous year, increase owed to:

- the increase of **Liquid assets** from 5.635.805 lei at 31.12.2017 to 27.985.903 lei at 31.12.2018, procentual meaning an increase with 396,57 %;
- the increase of the indicator **Assets clasified as held for sale** with the countervalue of Claudia complex reclassified from Real Estate investments.

The **Receivables of the Group**, indicator part of the floating assets, registers at 31.12.2018 **a reduction with 47,61%** compared to the receivable registered at 31.12.2017 and at the date of elaborating the present report the receivables of the company register a **reduction with 57,34%** compared to the ones registered at 31.12.2017

In the table below are presented the receivables at the date of 31.12.2018 compared to 31.12.2017:

No. Crt.	Denomination	Net receivables at 31.12.2018 (lei)	Adjustment of impairment at 31.12.2018 (lei)	Receivables at 31.12.2018 (lei)	Net receivables 31.12.2017 (lei)	Variation of net receivables at 2018/2017 (%)
1	Trade receivables and other receivables total, of which:	2.566.175	1.727.934	4.294.109	4.933.051	52,02%
1.2	Trade receivables total of which:	794.963	1.727.934	2.522.897	1.566.343	50,75%
	<i>Transilvania Travel&Hotels</i>	3.664	443.593	447.257	670.329	0,55%
1.2	Receivables to the state budget	1.593.574		1.593.574	3.227.959	49,37%
1.3	Accounts payable assets sale	0		0	0	

1.4	Diverse accounts payable	27.113		27.113	216	12552,12%
1.5	Other receivables	150.526		150.526	138.533	108,66%
2	Receivables regarding tax on current profit	38.336		38.336	38.336	100,00%
	Total receivables	2.604.511	1.727.934	4.332.445	4.971.387	52,39%

The Group Receivables are composed by:

-trade receivables represented by tourism services and other services provided by the Group to the third parties, in amount of **2.522.897 lei** which were adjusted with the sum of 1.727.934 lei representing debits older than 1 year afferent to the services provided by Rugby Club Constanța, Marea Comtur SRL, Transilvania Hotels & Travel S.A., Federația Română de Box, Sind Tour Operator, ACS Cuza Sport, Ager Construct and Remat Sud Mangalia;

-receivables at the state budget mainly represented by VAT to recover in the sum of 1.547.848,22 lei and tax on current profit of 38.335,61 lei

-other receivables mainly represented by receivable interest at the deposits opened at BCR in amount of 46.049 lei afferent to month December 2018 and which will be cashed in January 2019, various garnishment ANAF which in January 2019 will cancel from the debts of the company to the State Budget, garnishments Office Judicial Executor representing sums owed to Mateevici and partners, retained by the bank and also paid by the company, the sums paid in addition being recovered by OFJ in January 2019.

In the year 2018, the liabilities had the following evolution:

LIABILITY	Value at 31.12.2018 (lei)	Value at 31.12.2017 (lei)	Value at 31.12.2016 (lei)	Variation 2018/2017 (%)	Weight 2018 in total Liabilities (%)
<i>Subscribed and paid capital</i>	57.894.994	57.894.993	57.894.994	100,00%	21,69%
<i>Adjustment of capital consequence application of IAS 29</i>	85.945.333	85.945.333	85.945.333	100,00%	32,20%
Capital premium total of which:	1.895.855	1.895.855	1.895.855	100,00%	0,71%
<i>Merger and division premiums</i>	1.894.814	1.894.814	1.894.814	100,00%	0,71%
<i>Share premiums inflated consequence of application IAS 29</i>	41	41	41	100,00%	0,00%
Reserves total of which:	28.188.838	26.881.973	26.451.693	104,86%	10,56%
<i>Legal reserves</i>	5.476.232	4.911.079	4.800.831	111,51%	2,05%
<i>Other reserves</i>	22.712.606	21.970.894	21.650.862	103,38%	8,51%
Reserves inflated consequence of application for the first time of IAS 29	16.745.901	16.745.901	16.745.901	100,00%	6,27%
<i>Legal inflated reserves consequence of application of IAS 29</i>	1.280.018	1.280.018	1.280.018	100,00%	0,48%
<i>Other inflated reserves consequence application of IAS 29</i>	15.465.883	15.465.883	15.465.883	100,00%	5,80%
Differences in reevaluation	105.238.279	107.559.706	108.045.261	97,84%	39,43%

The result reported excepting the result reported resulted from adopting for the first time IAS 29	55.169.050	52.923.423	53.330.461	104,24%	20,67%
The result reported resulted from adopting for the first time of IAS 29	(102.691.275)	(102.691.275)	(102.691.275)	100,00%	(38,48)%
Result of the fiscal year	9.400.951	1.616.036	4.399.514	581,73%	3,52%
Other elements of equity capitals	(13.056.602)	(12.690.908)	(12.895.836)	102,88%	(4,89)%
Total equity capitals	244.731.322	236.081.037	239.121.901	103,66%	91,70%
Long and medium term payables	13.990.404	15.209.427	16.047.792	91,99%	5,24%
Short term payables	8.154.584	5.090.051	8.188.063	160,21%	3,06%
TOTAL LIABILITIES	266.876.310	256.380.515	263.357.756	104,09%	100,00%

Within the liabilities elements, the highest weight have the equity capitals (91,70%), the subscribed and paid capital representing 21,69% of the total liabilities of the company.

The equity capitals at the date of 31.12.2018 know an increase with 3,66% compared to the equity capitals registered at 31.12.2017, being constituted of:

- subscribed and paid capital in amount of 57.894.994 lei, not modified in the last 3 years;
- merger and division premiums in amount of 1.895.855 lei, not modified in the last 3 years;
- reserves composed by legal reserves and other reserves, in a total amount of **28.188.838** lei, with an increase compared to the year 2017 (**26.881.973**) with 4,86% , increase owed to the repartition on other reserves of the amount of 741.712 lei of the net profit of THR Marea Neagra SA registered at 31.12.2017 and to the repartition of legal reserves of the amount of 565.153 lei of the net profit of the year 2018 of THR Marea Neagra SA;
- differences from the reevaluation of the company assets in amount of **105.238.279** lei, which compared to the year 2017 decreased with 2,16% after some assets sale;
- the reported result which came from the surplus realized from reevaluation reserves in amount of **55.169.050** lei increased with 4,24% compared to the year 2017;
- the net result of the fiscal year in sum of **9.400.951** lei increased compared to the one of year 2017 with 481,73%, increase owed to the assets sale and to the main activities;

We mention that the reevaluations made after the date of 01.01.2004 are recognized from a taxable point of view as elements similar to incomes on the measure of depreciation of tangible assets and their getting out of the patrimony. For these temporary differences between the accountancy value and the fiscal one, IAS 12 orders the calculation of a tax on postponed profit, which decreased the value of equity capitals (comprised in the above table at the rubric “other elements of equity capitals”) and they are added to the liabilities.

Short term liabilities of the Group at 31.12.2018, including the provisions, structured on their nature and on thier maturity date, are presented in the following table:

No.crt.	Denomination of account	Account	Liabilities at 31.12.2018	< 30 days	30-90 days	91-180 days	181-270 days	270-365 days
1	SUMS OWED TO CREDIT INSTITUTIONS		0	0	0	0	0	0
	<i>Short term bank credits</i>	<i>162</i>	<i>0</i>					
	<i>Short term loans</i>	<i>519</i>	<i>0</i>					

2	TRADE LIABILITIES AND OTHER LIABILITIES, INCLUDING FINANCIAL DERIVED INSTRUMENTS		7.907.551	4.085.871	1.880.357	54.241	8.324	1.878.758
2.1.	Advances collected in the orders account	419	2.317.080	71.533	372.833	0	0	1.872.714
	Advances collected for asset sale based on sale-purchase promises		2.245.547	0	372.833	0	0	1.872.714
	<i>Atinimul - Hotel Meteor</i>		<i>466.680</i>					<i>466.680</i>
	<i>Media Class - Hotel Ancora</i>		<i>1.170.764</i>					<i>1.170.764</i>
	<i>Star 95 SRL - Garden/restaurant Rapsodia</i>		<i>608.103</i>		<i>372.833</i>			<i>235.270</i>
	Advances collected for tourism services		71.533	71.533				
2.2.	TRADE LIABILITIES		981.297	981.297	0	0	0	0
	Suppliers	401	<i>841.194</i>	<i>841.194</i>				
	Suppliers immobilizations	404	<i>76.793</i>	<i>76.793</i>				
	Suppliers – unreceived outstanding invoice	408	<i>63.310</i>	<i>63.310</i>				
2.3.	LIABILITIES TO THE LOCAL AND STATE BUDGET		1.437.437	504.530	932.907	0	0	0
	Social insurances	431	215.616	215.616				
	<i>Unit's contribution to social insurances</i>		<i>7.710</i>	<i>7.710</i>				
	<i>Social insurances contribution</i>		<i>149.385</i>	<i>149.385</i>				
	<i>Contribution of health insurances</i>		<i>58.521</i>	<i>58.521</i>				
	Insuring contribution for labor	436	13.120	13.120				
		437						
	Tax on current profit	4411	932.907		932.907			
	Tax on postponed profit	4412	0					
	Undue VAT	4428	2.002	2.002				
	Tax on salaries	444	36.741	36.741				
	Other taxes	446	0	0				
	Special funds	447	7.884	7.884				
	<i>Average fund</i>		<i>0</i>	<i>0</i>				
	<i>Handicap fund</i>		<i>7.884</i>	<i>7.884</i>				
	Other liabilities with the budget	4481	229.167	229.167				
	<i>Specific tax semester I 2018</i>		<i>221.167</i>	<i>221.167</i>				
	<i>Other liabilities</i>		<i>8.000</i>	<i>8.000</i>				
2.4.	LIABILITIES WITH		451.570	451.570	0	0	0	0

	PERSONNEL							
	Collaborators	401	34.529	34.529				
	Personnel – owed salaries	421	155.604	155.604				
	Personnel help owed materials	423	9.814	9.814				
	Personnel money due not cashed	426	2.387	2.387				
	Retentions from salaries owed to third parties	427	11.185	11.185				
	<i>CAR</i>		<i>5.293</i>	<i>5.293</i>				
	<i>Union</i>		<i>1.575</i>	<i>1.575</i>				
	<i>Garnishments</i>		<i>818</i>	<i>818</i>				
	<i>Food support</i>		<i>3.499</i>	<i>3.499</i>				
	Other liabilities concerning the personnel	428	238.051	238.051				
	<i>Transport personnel</i>		<i>5.482</i>	<i>5.482</i>				
	<i>Guarantees keepers</i>		<i>232.569</i>	<i>232.569</i>				
2.5.	OTHER LIABILITES		2.720.167	2.076.941	574.617	54.241	8.324	6.044
	Other loans and debts assimilated	167	408.307	336.556	3.142	54.241	8.324	6.044
	<i>On term guarantees suppliers</i>		<i>245.292</i>	<i>173.541</i>	<i>3.142</i>	<i>54.241</i>	<i>8.324</i>	<i>6.044</i>
	<i>Collected guarantees</i>		<i>163.015</i>	<i>163.015</i>				
	Dividends shareholders	457	455.866	455.866				
	<i>Gross dividends 2017</i>		<i>421.192</i>	<i>421.192</i>				
	<i>Net dividends previous years</i>		<i>34.673</i>	<i>34.673</i>				
	Diverse creditors total of which:	462	582.657	11.182	571.475	0	0	0
	Guarantees assets auction		579.180	7.705	571.475	0	0	0
	<i>Const Media Services - Ag.Voiaj CFR</i>		<i>7.705</i>	<i>7.705</i>				
	<i>Energoutil Contact - Complex Claudia</i>		<i>571.475</i>		<i>571.475</i>			
	Diverse creditors		3.477	3.477				
	Amounts in clarification	473	1.273.337	1.273.337				

The short term liabilities at 31.12.2018 including the provisions, increased compared to the same period of last year, with **60,21%**, increase owed to:

- the advances in amount of **2.245.547 lei** collected for assets sale based on Sale-purchase asset promises (Hotel Meteor, Hotel Ancora and Garden Rapsodia), advances which will be ended at the moment of signing the sale-purchase contracts;
- the guarantees in sum of **579.180 lei**, collected for the participation at auctions assets buy (Claudia Complex, CFR Travel Agency), which will be ended at the moment of signing the sale-purchase contracts;
- tax on profit calculated at 31.12.2018 in sum of **932.907 lei**;
- amounts in clarification in sum of **1.273.337 lei** represent additional tax on buildings in sum of 939.413,29 lei and additional tax on land in sum of 333.923,37 lei recognized by the company on expenses in the fiscal year 2014 and not paid until the finalization of the litigation with Mangalia City Hall, consequence of the tax inspection made in the period 2008-2012

- the constitution of provisions for annual leave not done and supplementing the beneficiaries of employers to pensioning, forecast to retire in the year 2019 (with the sum of 12.838 lei).

We mention that at the date of elaborating the present report, it was paid the sum of 822.600 lei, representing trade suppliers, of which 615.735 lei represents the debt to Transilvania Hotels & Travel SA.

The non-current liabilities of the Group at 31.12.2018, in total amount of **13.990.404 lei** have a decrease with 8,01% compared to the ones registered at 31.12.2017 (*15.209.362 lei*), decrease owed mainly to the integral reimbursement, in advance, of the credit for investments taken from UNICREDIT Bank. The non-current liabilities, including provisions, are composed by performance bonds granted by the service suppliers and immobilizations in sum of **65.160 lei**, of the tax on postponed profit in sum of 13.181.121 lei, debt under settlement which will be recognized as payable debt, on the measure of depreciation or stepping out the patrimony and from non-current provisions in sum of 744.059 lei.

The componence of these provisions is the following :

-provison for the sum of **6.000 lei** representing trial expenses for the solutioning of an older file, owed to Balu Eugenia

-provision for the sum of **577.125 lei** representing claims countervalue improvements brought to Villa Flora on the period of its exploitation by Carja Vasile in the File no. 3093/118/2016

-provision for the sum of **9.000 lei** representing claims countervalue for object stolen to the defendant Domuța Maria by unknown persons (tourist who staid at hotel Sirena)- File no. 10813/296/2016

-provision for the sum of **10.000 lei** representing restitution of the sum of 10000 paid by the plaintiff with title of contraventional fine, payment of overtime, claims issued by Dumitrașcu Angela in File no.3282/118/2018

-provision for the sum of **22.413 lei** representing additional allowances for the using of phonograms, owed to the Union of Phonograms Producers;

-provision for the sum of **78.000 lei** representing taxes and accessories calculated additional by Eforie City Hall

- provision for the sum of **41.520 lei** representing trial expenses, lawyer's fee from the files 2639/118/2017 and 4847/212/2010, sum claimed by Mateevici Alexandru, Zellinger, Stoicovici and others in File 15314/212/2018.

The mother-company canceled in the year 2018 provisions in total sum of **386.715 lei**, representing a provision of **352.547 lei** afferent to the definitive sentence pronounce regarding the TV tax owed by THR Marea Neagră SA to the Romanian Television Society for the period 2012-

2015 and a provision of **34.168 lei** afferent to the definitive sentence pronounced referring to the payment of the singer artists for the years 2013 and 2014 and owed to CREDIDAM Bucharest.

THE RESULT OF THE FISCAL YEAR 2018 of the GROUP

Incomes and expenses realized in the ear 2018, on the 2 main categories of activities, compared to the realizations of year 2017, are presented in this way:

Indicators	2018 (lei)	2017 (lei)	2016 (lei)	Index 2018/ 2017 (%)
Incomes from exploitation total:	63.851.785	39.055.005	48.174.341	163,49%
<i>Accommodation activity</i>	<i>29.528.562</i>	<i>21.016.132</i>	<i>20.160.054</i>	140,50%
<i>Public food service</i>	<i>13.932.309</i>	<i>10.128.015</i>	<i>10.617.463</i>	137,56%
<i>Rental activity</i>	<i>1.139.225</i>	<i>606.151</i>	<i>1.169.102</i>	187,94%
<i>Other incomes included in the turnover (balnear treatment, parking lots, pool entry etc)</i>	<i>2.349.255</i>	<i>3.104.123</i>	<i>3.439.483</i>	75,68%
<i>Assets sale activity</i>	<i>14.673.559</i>	<i>1.382.160</i>	<i>10.919.946</i>	1061,64%
<i>Other incomes (capitalized production, adjustments, fines, penalties etc)</i>	<i>2.228.875</i>	<i>2.818.424</i>	<i>1.868.293</i>	79,08%
Expenses from exploitation total:	50.798.285	36.923.395	42.237.130	137,58%
Expenses with stocks	7.613.704	6.225.155	6.971.502	122,31%
Expenses with utilities	2.781.227	2.279.987	2.579.857	121,98%
Expenses with employees' benefits	14.086.307	12.237.858	11.413.279	115,10%
Expenses with the depreciation and garnishment of immobilizations	7.243.810	7.268.161	7.266.785	99,66%
Expenses with assigned immobilizations and assets held for sale	7.309.729	766.095	6.095.247	954,15%
Expenses with other taxes	4.384.556	3.257.647	3.332.924	134,59%
Expenses with external supplies	5.592.816	3.530.094	4.414.570	158,43%
Other expenses	1.786.134	1.358.398	162.965	131,49%
Result from exploitation	13.053.500	2.131.610	5.937.212	612,38%
Financial incomes	361.371	160.920	197.465	224,57%
Financial expenses	2.506.099	113.124	582.023	2215,36%
Financial result	(2.144.728)	47.796	(384.558)	(4487,25)%
Total incomes	64.213.156	39.215.925	48.371.806	163,74%
Total expenses	53.304.384	37.036.519	42.819.153	143,92%
GROSS result	10.908.772	2.179.406	5.552.654	500,54%
Result before Taxation	10.908.772	2.179.406	5.552.654	500,54%
Expense with tax on current profit	930.777	42.274	1.182.409	2201,77%
Expense with specific tax	467.610	293.512	0	159,32%
Expenses with the tax on postponed profit	109.434	227.584	0	48,09%

Incomes afferent to the tax on postponed profit	0	0	29.269	
NET Result	9.400.951	1.616.036	4.399.514	581,73%

lei

Indicators	2018 (lei)	2017 (lei)	2016 (lei)	Index 2018/ 2017 (%)
Main activity				
Operating activity				
Incomes	49.178.226	37.672.845	37.254.395	130,54%
Expenses	43.488.555	36.157.300	36.141.883	120,28%
Gross profit from operating activity	5.689.670	1.515.545	1.112.513	375,42%
Financial activity				
Incomes	361.371	160.920	197.465	224,57%
Expenses	2.506.099	113.124	582.023	2215,36%
Financial gross profit	(2.144.728)	47.796	-384.558	(4487,25)%
Total incomes from the main activity	49.539.597	37.833.765	37.451.860	130,94%
Total expenses from the main activity	45.994.654	36.270.424	36.723.906	126,81%
Gross result from the main activity	3.544.943	1.563.341	727.955	226,75%
Activity of assets sale				
Incomes	14.673.559	1.382.160	10.919.946	1061,64%
Expenses	7.309.729	766.095	6.095.247	954,15%
Gross profit from assets sale	7.363.830	616.065	4.824.699	1195,30%
TOTAL incomes	64.213.156	39.215.925	48.371.806	163,74%
TOTAL expenses	53.304.384	37.036.519	42.819.153	143,92%
GROSS PROFIT TOTAL	10.908.772	2.179.406	5.552.654	500,54%
Expenses tax on profit + expenses specific tax+ expenses tax on postponed profit- Incomes tax on postponed profit	1.507.821	563.370	1.153.139	267,64%
NET result	9.400.951	1.616.036	4.399.514	581,73%

The total incomes registered by the GROUP in the year 2018, in amount of **64.213.156 lei** (including incomes from provision annulment in sum of 386.715 lei) register **an increase with 63,74% compared to** the volume registered in the previous year, **2017** (39.215.925 lei).

The total expenses registered by the GROUP in the fiscal year 2018, in amount of **53.304.384 lei** (less the expenses with the tax on profit, postponed and specific), also register an increase with **43,92% compared to** the expenses of the year **2017** (37.036.519 lei).

On activities, reported to the weight of the realized incomes, in total incomes, it can be identified two main categories, such as: *the main activity* of the company (strictly operational), generating incomes in a percentage of 76,59% from total incomes and the activity of assets sale, according to the strategy approved by the Shareholders' General Meeting of restructuring THR Marea Neagra SA, with incomes in a percentage of 22,85% of the total.

The gross realized profit in amount of **10.908.772 lei** presents, on activities, the following structure:

- | | | |
|------------------------|------------------------|------------|
| • Operation activity | 5.689.670 lei | 52,16 % |
| • Financial activity | (2.144.728) lei | (19,66) %; |
| • Assets sale activity | 7.363.830 lei | 67,50 %; |

At 31 December 2018, the company registers **a gross profit from the main activity of 3.544.943 lei**, meaning an increase with **126,75%** compared to the realized of the year 2017 (1.563.341 lei), having as structure the following indicators:

- **Gross profit from the operation activity of 5.689.670 lei** – with an **increase with 275,42%** compared to the one realized at 31.12.2017 (1.515.545 lei);
- **Loss from the financial activity, of 2.144.728 lei** – owed especially to the devaluation with the sum of 2.432.100 lei of the shares owned by THR Marea Neagră SA at Transilvania Hotels & Travel SA, company in insolvency from 2017

Regarding the **gross profit from the assets sale**, we register a value of **7.363.830 lei**, representing an increase with **1.905,30%** compared to the realized of the year **2017** (616.065 lei) and is owed to the sale of the assets Lidia Complex (building and land), Hotel Riviera, Vila Flora (building and land), Saturn Confectionery (building and land), of the afferent land of Snack Bar Carmen Eforie Nord and a parcel of land of 383 mp from Resort Village Dunărea.

The managing boards of the two companies took steps, in the year 2018, of strictly control of the expenses and of their resizing.

Mainly, these consisted of:

- managing the tourists' arrival to certain hotels and restaurants for ensuring a degree of occupation to allow their exploitation in efficient conditions, and for the rest, ensuring minimum functioning conditions;
- reducing the consume of utilities and their optimization by establishing crisis consume quotas;
- direct supply of units, viewing the reducing of costs with transportation, stocking and distribution;
- rhythm supply, based on a well underlain necessary, ensuring minimum stocks;
- employing the personnel proportionally to the evolution of incomes;
- the return of the goods at providers, at closing the units;

- restriction on general and administration expenses;
- very careful control of the treasury flows correlating with payments, the reducing of the bank balance of the loans account and the afferent interests;
- the careful control of the maturities at the state and local budgets, partners, in order to avoid delays leading to the payment of penalties and/or fines
- collecting at maturity the receivables, complying with the procedure of recovering them.

In conclusion, at the end of the year 2018, the GROUP registered a gross profit in amount of 10.908.772 lei, and a net profit determined after the deduction of the tax on current profit, postponed and specific calculated, according to the law, in amount of 9.400.951 lei.

3.Ensuring financial resources, honoring the payment obligations

During the year 2018, the Group financed its activity by using the internal sources, and the mother-Company and by hiring a revolving credit with BCR in amount of 7.500.000 lei, credit line which at 31.12.2018 is not used.

In the month August 2018, it was totally reimbursed the investments credit from UNICREDIT Bank, although he was due at 01.10.2020

In what regards honoring of the payment obligations, the Group does not register at the date of 31.12.2018 outstanding obligations reported to the state budget, bank institutions and other authorities.

4. Assets of the trade company

4.1. The main capacities of accommodation and public food service of the mother-Company

(Balneoterapia does not own assets such as constructions or lands, developing its activity in the treatment units which pertain to the mother-company), **which are in the tourism circuit in the year 2018 and consist of:**

Accommodation units

- 2 hotels with 4*, with a total capacity of 992 beds
- 8 hotels with 3*, with a total capacity of 3.446 beds
- 9 hotels with 2*, with a total capacity of 2.142 beds

Public food service units:

- 2 restaurants with 4*, with a total capacity of 992 berths
- 6 restaurants with 3*, with a total capacity of 2.482 berths
- 5 restaurants with 2*, total capacity of 1.418 berths
- 2 day bars with 4*, total capacity of 120 berths
- 9 day bars with 3* with a total capacity of 464 berths
- 1 day bar with 2*, total capacity of 60 berths
- 2 buffets with 1*, total capacity 120 berths.

Amusement units:

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

Balnear treatment units:

-4 treatment hotels: Bran-Brad-Bega Complex, Hora, Balada and Sirena with a total capacity of 5.350 procedures daily.

Totally, THR Marea Neagra SA had in 2018 in the tourism circuit 6.580 accommodation vacancies and 4.892 public food service vacancies, the distribution on resorts being presented above:

Categ. clasif	Eforie Nord		Eforie Sud		Venus		Saturn		Total general	
Hotels	units	cap	units	cap	units	cap	units	cap	units	vacancies
****	1	438	0	0	0	0	1	554	2	992
***	0	0	0	0	2	504	6	2.942	8	3446
**	3	502	2	434	0	0	4	1.206	9	2142
Total accomm.	4	940	2	434	2	504	11	4.702	19	6.580
Restaurants										
****	1	438	0	0	0	0	1	554	2	992
***	0	0	0	0	1	182	5	2.300	6	2.482
**	1	226	1	218	1	220	2	754	5	1.418
Total restaurants	2	664	1	218	2	402	8	3.608	13	4.892
Bars										
****	1	80	0	0	0	0	1	40	2	120
***	0	0	0	0	2	94	7	330	9	424
**	1	60	0	0	0	0	0	0	1	60
Total day bars	2	140	0	0	2	94	8	370	12	604
Buffets										
*	0	0	1	30	0	0	1	90	2	120
Total buffets	0	0	1	30	0	0	1	90	2	120

4.2 Description and analyzing the degree of degradation of the properties THR Marea Neagra SA

The assets owned by THR Marea Neagra SA are older than 45 years, being generally constructed in the period 1968-1972. The assets in the tourism circuit own classification certificates and legal functioning permits, complying with the legal requirements for the respective comfort category.

A part of the assets have been modernized in the last 10 years, being upgraded the comfort degree from one or two stars to three and four stars. The works made were large,

comprising consolidations, so at these ones is registered a degree of degradation smaller than their age.

A peculiarity of the activity is represented by the existence in the patrimony of some productive and auxiliary nonfunctional units, and others partially functional which encumber the main activity and the economic result, being given the necessary of investments and the acute lack of funds, the low level of the real estate market and implicit the reduced possibility of exploiting the assets approved for sale through the strategy of the company.

These assets generate fixed expenses and also variable expenses necessary for preserving, fixed expenses like taxes being fined by Law no.227/2015 of the Fiscal Code, being applied starting with 01.01.2017

For the optimization of these costs, it was forecast the partial functioning of some assets where it is possible, with the purpose of reducing the registered volume of loss.

5. Evaluation of activities of investments and development

The company is in a permanent search of solutions for reducing costs but also for attracting new customers. The company implemented alternative solutions of producing thermal energy for preparing domestic hot water with sun energy, the solution being in expansion. At the same time, taking into account that the local administration finalized the investment of gas alimentation of resorts, the company started the process of connection of the thermal centrals to the gas line, with a positive impact on the environment and also to the efficient use of the financial resources.

In the year 2018, the mother-company made significant investments in amount of **8.626.767 lei** (VAT included), presented in the below table:

No. crt.	Unit	Investments object	Total value of which:	Works	Equip.
1	Hotel Diana	Work of constructions at interior, furniture and moquette in rooms, wood carpentry rooms	1.045.976	662.933	383.043
2	Restaurant Cerna	Enlargement kitchen, equipment for kitchen,, construction works, sanitary installation, painting the walls, electric installations	929.446	720.776	208.670
3	Hotel Venus + CT	Moquette in rooms and hallways, furniture, tiles 1880 sm, painting the walls, wood carpentry 450 sm, Modernization electric panels CT	902.878	600.148	302.730
4	Hotel Sirena	Underground installations, chiller, project assembly of caldron, electric installation and automation	621.288	621.288	0
5	Hotel Balada	Doors at rooms floors 1,2,8-13, moquette 1,2,8-13, Rehabilitation electric panels	618.077	618.077	0
6	Restaurant Venus	Cleaning kitchen space, modernization saloon and terrace, carpentry replacement , arrange cafeteria line. Rehabilitation partial kitchen area. Rehabilitation small baths, small saloon at ground floor, cafeteria self-service line	586.215	507.929	78.286
7	Hotel Raluca	Rehabilitation frontage	294.996	294.996	0
8	Administrative head office	Installation air conditions, intangible assets (licenses, work projects), electronic cash register with electronic archive	288.839	14.278	274.560

9	Piscina BBB, Raluca, Balada, Cleopatra	Rehabilitation interior, exterior	191.257	191.257	0
10	Sediu Adm.	Economic stock management system Clarvision	170.925	170.925	0
11	Hotel Bega	Works sanitary installations , painting the walls, electric inst.	156.700	156.700	0
12	H.Cleopatra, R.Cleopatra, H. + R.Sirena, H + R.Lidia, H + R.Narcis,complex BBB,	Elaboration of documentation ISU	125.690	125.690	0
13	Hotel Cleopatra	Hallway doors, antifire doors	118.829	118.829	0
14	Hotel Capitol	Modernization electric panels, rearrangement 12 bathrooms	100.051	100.051	0
15	Hotel Aida	Handrail fire staircase	95.248	95.248	0
16	Plaja Sector 1	Furniture equipment, project beach arrangement	92.839	0	92.839
17	Restaurant Capitol	Waterproofing kitchen area, locker rooms, modernization electric panels	85.275	85.275	0
18	Hotel Gloria	Modernization electric panels	82.195	82.195	0
19	Hotel Cerna	Rehabilitation sanitary groups and underground installations	75.626	75.626	0
20	Hotel Vraja Marii	Modernization electric panels, rehabilitation balconies, exterior painting	67.887	67.887	0
21	Administrative head office	BITSOFT - intangible assets (interfaces OPERA- Clarvision swi MC-Clarvision)	57.259	57.259	0
22	Restaurant Bega + Brad	Equipment kitchen appliances, ventilators	53.304	46.494	6.810
23	Rest. Balada	Exterior esthetics, equipment kitchen appliances	52.568	41.557	11.011
24	Rest. Narcis	Rehabilitation (finalization work started in 2016)	23.614	23.614	0
25	Restaurant Aida	Arrangement of locker rooms	20.003	20.003	0
26	Hotel Prahova	Exterior esthetics, east frontage	33.095	33.095	0
27	Units THR Marea Neagra	Works sanitary constructions, sanitary installations, painting walls, electric installations	359.306	359.306	0
		TOTAL INVESTMENTS (lei minus VAT)	7.249.384	5.891.436	1.357.948
		VAT	1.377.383		
		TOTAL INVESTMENTS (lei including VAT)	8.626.767		

For financing the investments there were used the following **internal financing sources**:

Explanations	THR BVC 2018	THR Realized at 31.12.2018
Financed sources not used from the previous year	10.054.713	10.054.713
Depreciation	6.940.000	6.714.282
Cash Flow from assets sale	4.700.000	17.747.854
Financing fund 2017	90.000	90.000
Total internal financing sources	21.784.713	34.606.849
Reimbursement credit for investments + interests	(920.000)	(2.467.979)
Reimbursement of the performance bond	(230.000)	(351.519)
Dividends 2017	(1.800.000)	(830.658)
Total financing sources	18.834.713	30.956.693

The action of financing investments was sustained fully by internal sources.

6. Mentioning of the potential problems concerning the property right on tangible assets of the Group

Litigations concerning the property on **constructions** pertaining to T.H.R. Marea Neagra S.A.:

Agency PTTR Ag. Voiaj Saturn against CN Poșta Română

7. Market of exchange securities issued by THR Marea Neagra SA

7.1. Mentioning of the Romanian markets and from other countries in which exchange securities are negotiated

THR Marea Neagra SA is a company owned publicly, according to the terminology provided in the Law 24/2017 regarding the stock market, being registered at the National Commission of Exchange Securities- Office for the registration of exchange securities.

The shares of THR Marea Neagra SA are listed on the II category of the Stock Market Bucharest starting with 15 August 2002, with the symbol “EFO”.

In the last day of transaction of the year 2018, respectively 31.12.2018, at closing the Stock Market, the securities of THR Marea Neagra SA were listed at a maximum value of 0,0924 lei/security, compared to 0.098 lei/security at 30.12.2017.

7.2. Description of the policy of the trade company regarding the dividends. Mentioning the dividends due/paid/accumulated in the last 3 years.

For the year 2015, the Shareholders’ General Meeting THR Marea Neagra SA decided to distribute the profit for the constitution of the legal reserves, of the internal financing sources and dividends in amount of **3.137.436 lei**.

For the year 2016, , the Shareholders’ General Meeting THR Marea Neagra SA decided to distribute the profit for the constitution of the legal reserves, of the internal financing sources and dividends in amount of **3.936.860 lei**.

For the year 2017, the Shareholders’ General Meeting THR Marea Neagra SA decided to distribute the profit for the constitution of the legal reserves, of the internal financing sources and dividends in amount of **839.477 lei**.

7.3. Description of any activities of the trade company THR Marea Neagra SA of procurement of internal shares.

The company THR Marea Neagra SA did not procure internal shares in the year 2018.

7.4. If the mother-company has subsidiaries, mention the number and the nominal value of the shares issued by the mother-company owned by subsidiaries.

The company THR Marea Neagră SA owns contributions in the issued capital of other entities, in this way:

- 32,059% of the issued capital of the company Transilvania Hotels & Travel.

7.5.If the trade company issued bonds and/or debt securities, presentation of the manner in which the trade company respects its obligations towards the owner of these exchange securities.

THR Marea Neagra SA did not issue bonds in the period of the year 2018.

8. MANAGEMENT of the two companies forming the GROUP

8.1.The Board of Supervisors/Board of Administration

THR MAREA NEAGRA SA, in year 2018 was managed by a Board of Supervisors formed by 3 members:

- Mielu Dobrin – President
- Dragoş Călin - member
- Dănuţ Florin Buzatu - member

The Boards of Supervisors gathered periodically in meetings, according to the provisions of Law 31/1991, republished and to the provisions of the constitutive Document.

All the efforts of the Board of Supervisors have been oriented to the accomplishment of the company mission, to ensure quality services, with the help of qualified personnel. Also, the priority objective is the development of technical-material base, rehabilitation and modernization of the existent one, through a coherent and consequent program of investments, in the conditions of a real protection of the environment.

The Board of Supervisors followed the realization of the activity program proposed for the year 2018, the execution of the monthly and semestrial incomes and expenses budget and of the approved investments program.

The provisional effort and of organization of the Board of Supervisors concretized in future development programs of the company, marketing programs, informatics programs, promotion and recruitment of the personnel and increase of the quality of tourism product, procedure systems for the main activities of the company and reconsidering its organizational structure.

- a) Any agreement or family connection between the respective administrator and another person thanks to which the respective person was designated administrator.*

It is not the case.

- b) Participation of the Board members at the capital of the trade company*

Mr. Mielu Dobrin, president of the Boards of Supervisors, owns 406.759 shares issued by the company.

c) The list of persons affiliated to the trade company:

The persons affiliated to the company THR Marea Neagra SA are:

- S.I.F. Transilvania S.A., company which owns 77,71 % of the shares issued by T.H.R. Marea Neagră S.A.;
- Transilvania Hotels & Travel S.A., company at which T.H.R. Marea Neagră S.A. owns 32,059% of its social capital.

BALNEOTERAPIA, until the date of 19.12.2018 it was administered by an Administration Council formed by 3 members:

- Butoi Nicolae – Presidents
- Cazacu Dorinel - member
- Bardan Horia - member

Starting with the date of 19.12.2018, consequence of the resignation of Mr. Cazacu Dorinel and revoking from the charge of members of the Board of Administration of Mr. Butoi Nicolae and Mr. Bardan Horia, by the Decision of SGM no.5, it is designated sole administrator Mrs. Costina Zaberca.

8.2.Presentation of the list of members of executive managers of the two companies

THR MAREA NEAGRĂ SA

The executive management of the company is represented by a Directorate formed by 3 members.

The Directorate was composed **until the date of 23.04.2018** by:

- Moşoiu Georgiana Narcisa – General Manager/Executive President and Directorate President
- Cazacu Dorinel – Member of the Directorate/Administrative Manager
- Parcalabu Doina Domnica – Member of the Directorate/ Commercial – Financial Manager

At the date of 20.04.2018, the mandate granted to Cazacu Dorinel terminated, concerning the granting and exerting the function of member of the company Directorate, consequence of his resignation and it is designated also Vicepresident of the company Mr. FRUNZĂ VICTOR ALEXANDRU, for the period 23.04.2018 – 30.09.2018.

At the date of 30.09.2018, as consequence of the termination of mandate granted to Mr. Frunza Victor Alexandru, it is designated in the function of member of company Directorate Mr. Stănescu Constantin, for a mandate between 01.10.2018 - 31.12.2018.

Through the Decision of the Board of Supervisors no. 20/28.09.2018, it is extended the mandate contract concluded with Ms. Moşoiu Narcisa, president of the Directorate for the period 01.10.2018-31.12.2021 and of Ms. Pârcălabu Domnica Doina, member of the Directorate, for the period 01.10.2018-31.12.2018 and her naming in the charge of Vicepresident of the company Directorate.

- a) *Any agreement or family connection between the respective administrator and another person thanks to which the respective person was designated administrator.*

It is not the case.

- b) *Participation of the Board members at the capital of the trade company*

Ms. Narcisa Georgiana Moşoiu owns a number of 1.500 shares issued by the company.

BALNEOTERAPIA S.R.L.

Until the date of 19.12.2018, the executive board of the company was formed by 2 members:

- Stan Virgil – general manager
- Epure Ioan – chief accountant

Through the decision of the SGM no.5 at 19.12.2018 it was eliminated the function of general manager, but presently this function is owned by Mr. Stan Virgil and Mr. Epure Ioan owns the function of chief accountant.

8.3. For all the persons presented at 8.1. and 8.2., mentioning the eventual litigations or administrative procedures in which they were involved, in the last 5 years, referring to their activity within the issuer, and those referring to the capacity of the respective person to accomplish the attributions within the issuer.

It is not the case.

9. EVALUATION OF THE ACTIVITY T.H.R. MAREA NEAGRĂ S.A. CONCERNING THE MANAGEMENT OF RISK

9.1. The Management of the Group has ensured and ensures a prudent management of the liquidity ratios, permanently pursuing to ensure sufficient cash, in order to effect the due payments.

The specific of the developed activity determines the exposure of the company to a variety of risks with general character but also with risks specific to the activity and the financial market on which it is operated. The risk is defined as the possibility to be registered unfavorable situations in results compared to the forecast level, because of random fluctuations. The significant risks represent the risks with a high impact on the patrimony situation and/or reputation of the company.

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

In the developed activity, the Group can confront with uncontrollable risks, which are generally associated to external factors, such as macroeconomic conditions, changes in legislation, changes related to the competitive environment, etc. Usually, it is confronted with

controllable risks, for which there are adopted policies and active administration procedures (analysis, monitoring and control). These risks are associated to some internal factors, such as the type of the developed activity, the complexity of the organizational structure, the quality of personnel, etc.

The main risks to which the Group is exposed are:

- The interest rate risk

The operational cash flows of the company are affected by the variations of the interests rate, mainly in the case of credit lines contracted depending on ROBOR rate. In the last years, the reference rate ROBOR had a relatively constant trend, which makes this risk a reduced one.

- The credit risk

The credit risk is represented by the risk of registering losses or un-realizations of estimated profits, as a consequence of not accomplishing the financial obligations.

- The liquidity ratio

The liquidity represents the capacity of the company to ensure itself the necessary funds for accomplishing all its payment obligations, direct and indirect, at a reasonable price in any moment. The liquidity ratio is the actual or potential ratio to which may be subjected the profits and the capital of the company in case of its impossibility to accomplish its payment obligations at maturity.

The Group has always been pursuing to ensure a balance between its financing sources and its needs on short term, so it always has liquidities for accomplishing its financial obligations. The Company elaborates monthly forecasts of cash-flow for periods varying between 6 months to one year, so it can detect on time an eventual lack of liquidities and can take measures for this.

- the operating risk

The operating risk is defined as the risk of registering losses or the non-realization of the forecast profits because of internal factors, such as the inadequate deployment of some internal activities, the existence of misfit personnel or systems or because of external factors such as economic conditions, changes on the capital market, technological progress. The operating risk is inherent to all the activities of the Company.

The policies adopted by the Group on the prevention and management of operating risk can have a direct, negative impact on the exploitation activity (main), they took in consideration every type of event which can generate such risks.

9.2. Perspective elements related to the Group activity

One of the products with high growth in the future is the balnear tourism. The units of the company are situated in resorts with natural factors of treatment. The company identified this opportunity and obtained the permits of exploitation of these natural resources, extending the capacity of the treatment units, so it can meet the demands.

This segment of the balnear tourism ensured the diminution of the effects of the seasonal activity and also helps at attracting foreign tourists, especially Europeans. The European Directive no. 24/2011 regulates the patients' rights within the trans-border medical assistance, ensuring the legal frame to be guaranteed the rights of the European citizens to benefit from medical services in all the European Union countries. One of the main concerns of the Group is to attract this segment of tourists.

Another development direction is the amusement tourism, which constitutes a priority for the company, having in the projection stage the rearrangement of the environment, including the development of amusement facilities. A major preoccupation is represented by widening the distribution channels. The Group is continuously searching new customers and consolidating the relations on the market with the present customers.

10. CORPORATIVE GOVERNANCE of the company THR Marea Neagră SA

The Board of Supervisors gathered periodically in meetings, according to the prevision of Law 31/1990, republished and any time it was necessary, its attributions being regulated in the Constitutive Document.

During the year 2018, the activity of the Board of Supervisors was focused on the realization of the Company's object of activity, according to the decisions of the S.G.M., the legal provisions and the ones of the Articles of Incorporations.

One of the constant preoccupations of the members of the Board of Supervisors was the increase of sales through the sale department, the identification of new customers and building the traditional customers' loyalty. Also, it was taken into account the improvement of the promotion policy of tourism products, through launching special offers and customized offers for special categories of tourists.

The company actively searched potential customers, organized public auctions and made an adequate publicity to this kind of transactions.

The litigations of the company are systematically monitored by the Board of Supervisors, so every meeting of the board had on agenda of meeting at least one point referring to the main litigations of the company. The Board of Supervisors analyzed the options that the Company has in these cases and, where the case may be, it employed specialized teams of lawyers in these litigations.

Once passing to the two tier administration system, the Board of Supervisors established two commissions, with the following composition:

- Audit commission: Mielu Dobrin and Florin Dănuț Buzatu
- Remuneration and delegation commission: Dragoș Călin and Florin Dănuț Buzatu.
-

The attributions of the Board are clearly established, being provided in the mandate contracts concluded with the company.

In the year 2018, within our company was implemented a system of internal control, for the main

activities being established work procedures. The internal control is ensured at all levels, within the company being organized an Office of internal financial control and inventory.

The activity of internal audit was ensured by Romar-CO Audit SRL, audit in direct subordination of the Board of Supervisors.

The Company adhered to a Code of Corporate Governance, issuing yearly the Declaration of conformity provided by CGC.

The financial-accountant reports of the company are transmitted to the fiscal authorities and market organisms on the terms stipulated by law.

The Company registers at the date of 31.12.2018 a share capital in amount of 57.894.993,90 lei, subscribed and paid share capital representing a number of 578.949.939 registered shares, ordinary, dematerialized and undividable with a nominal value of 0,1 lei/share. The Company complies in this way with the provisions of article 10 of the Law 31/1990 concerning the trade companies, regarding the minimum level of the share capital for joint stock companies.

All the shares can be traded freely on the Stock Market Bucharest, without limitation related to possessing securities, the necessity of obtaining the approval of the issuer or of other owners of exchange securities.

During the year 2018, the subscribed and paid share capital did not modify, the shareholders' structure at 31.12.2018, taken from the website BVB is the following:

Shareholders	Percentage (%)	Number of shares	Value of capital (lei)
SIF Transilvania S.A.	77,7131%	449.920.140	44.992.014,00
Others (legal and natural persons)	22,2869%	129.029.799	12.902.979,90
TOTAL	100,0000%	578.949.939	57.894.993,90

The Company does not have a schema of shares granting to the employees and does not exist restrictions concerning the right to vote. Also, does not have any knowledge about agreements between shareholders which can have as result restrictions referring to the transfer of exchange securities and/or rights to vote.

The naming or replacing of the managing members of the company and the modification of the Articles of incorporation are made according to the legal provisions. Until now, the proposals for members in the Board of Supervisors were made by the major shareholder, the naming being decided by the Shareholders' General Meeting.

The president of the Board of Supervisors is chosen by vote by the members of the Board of Supervisors.

In what concerns the naming of the Directorate members and the functions within the Directorate, this is made by the Board of Supervisors.

The meetings of the shareholders' general gatherings are developed in this way:

-it is verified the shareholders' attendance list, the share capital which each represents and the observation of accomplishing the legal requirements and of the provisions of the Articles of Incorporation for holding the general meeting;

-there are presented the point on the agenda of the day of the convocation and are voted;

-the decisions of GSM are taken by open vote, excepting the one for naming the members of the Board of Supervision and for financial auditor, for which it is mandatory the secret vote;

-it is verified the result of the vote and it is consigned in the report of the meeting.

The shareholders have non-patrimony rights (the right to participate to the general meetings of the shareholders, the right to vote, the right to be informed) and patrimony rights (the right to dividends and the right to sale the assets).

11. Conclusions and proposal of repartition of the mother-company profit

In the year 2018, the company deployed its activity according to the provisions of the Articles of Incorporation, of the Shareholder's Meeting and B.V.C., complying with the valid legislation concerning the organization and reflection in accountancy of specific activities, and also the reglementation of the capital market.

At the end on the year 2018, the Company registers a net profit of 9.823.215 lei, which the Directorate proposes to be distributes in this manner:

- | | |
|---|-------------------------|
| • At the legal reserve, according to art. 183 | 565.153,00 lei |
| of the Law 31/1990 of trade companies, republished | |
| • Distribution at other reserves | 4.348.566,52 lei |
| • Distribution of dividends to the shareholders | 4.909.495,48 lei |
| (gross dividend/share = 0,00848 lei) | |

Narcisa MOȘOIU

GENERAL DIRECTOR/EXECUTIVE PRESIDENT

Constantin STĂNESCU

TECHNICAL DIRECTOR/VICEPRESIDENT DIRECTORATE

Mircea CRISTIAN

ECONOMIC DIRECTOR/ DIRECTORATE MEMBER

Subsemnatul, Cîrlan Georgiana Andreea, interpret si traducător autorizat pentru limbile engleză și spaniolă, în temeiul autorizației numărul 30019/27.09.2010, eliberată de Ministerul Justiției din România, certific exactitatea traducerii din limba română în limba engleză.

