



TURISM, HOTELURI, RESTAURANTE MAREA NEAGRA S.A.

Head Office: Romania, Mangalia, Lavrion Street, No.29, Constanța County,
Phone: +40-241-752-452 Facsimil: +40-241-755
-559 Registration Number in the Trade Register of Constanța: J13/696/1991, CIF: RO2980547,
IBAN Account: RO71 RNCB 0117 0151 6314 0001, Banca Comercială Română – Mangalia Agency
Subscribed and paid capital: 57.894.993,9 lei
Two tier model

Website: www.thrmareaneagra.ro

ANNUAL REPORT on the individual financial situations of THR MAREA NEAGRĂ SA

Drawn up according to the accountancy Law No. 82/1991, OMFP 2844/2016 for the approval of accountant Regulations in compliance with the International Standards of Financial Reference, the Law 24/2017 concerning the capital market and ASF Regulation No. 5/2018 concerning the issuers and operations with security amounts,

for the financial exercise ended on 31st of December 2018

The name of the trading company: Turism, Hoteluri, Restaurante Marea Neagră S.A.,
Two tier model

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

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

Unique registration code at the Trade Register Office: 2980547

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

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

Subscribed and paid capital: 57.894.993,9 lei

The main features of the securities issued by the trade company: nominative, ordinary, dematerialized and indivisible shares with a nominal value of 0,1 lei/share.

Starting with the date of 8th of November 2017, THR Marea Neagra S.A. is managed by a Supervisory Board made of 3 members:

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

The Supervisory Board set up two committees, with the following componse:

- **Audit committee:** Mielu Dobrin and Florin Dănuț Buzatu
- **Nomination and remuneration committee:** Dragoș Călin and Florin Dănuț Buzatu.

The Company bound to a Code of Corporate Governance, annually drawing up the Declaration of Conformity provided by CGC.

On the issuing date of this Report, THR Marea Neagră is unaware of the existence of some agreements or family relationships of the members of the Supervisory Board and other person



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due to which they have been appointed managers.

At the date of this Report drawing up, THR Marea Neagră is unaware of the existence of litigation or administrative proceedings against the Supervisory Board in connection with their activity within the issuer or regarding the ability of that person to perform their duties within the issuer.

The Supervisory Board is based on the principles of corporate governance, which establish a responsible, professional and ethical attitude of the Company vis-à-vis the main stakeholders. The Board examines the Company's strategy and the environment under which it operates to plan the development of THR Marea Neagră and its performance, ensuring a rigorous formulation of the objectives. Within the Supervisory Board, the Company's Directorate provided detailed information on the financial situations of 2018.

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

The financial statements and the audit report were submitted for review to the Supervisory Board. The Annual Report of the Directorate prepared in accordance with the requirements of the capital market legislation was endorsed by the members of the Supervisory Board. The Directors' Report provides a true and fair view of the Company's results for the financial year 2018.

**President of the Supervisory Board
Eng. Mielu Dobrin**

The Report of the Manager THR Marea Neagră SA related to the individual financial situations drawn up for the year 2018

The annual report according to: The accountancy law no. 82/1991, OMFP 2844/2016 for the approval of accountant Regulations in compliance with the International Standards of financial reporting, the Law 24/2017 concerning the capital market and ASF Regulation no. 5/2018 concerning the issuers and transactions in securities.

The name of the trade company: *Turism, Hoteluri, Restaurante Marea Neagră S.A., two tier model*

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

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

Subscribed and paid capital: **57.894.993,9 lei**

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

1. ANALYSIS OF THE COMPANY'S ACTIVITY

1.1. a) Description of the basic activity

The main activity of the company according to the classification is CAEN code 5510 "Hotels and other similar accommodation", namely the provision of accommodation services, public catering, spa treatment and tourist recreation.

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

b) Date of Company's foundation

The trading company was established on 5th of March 1991, with the name S.C. Eforie S.A.

The company has changed its name from Eforie S.A. in T.H.R. Marea Neagră S.A. in 2005, according to the Conclusion of the Deputy Judge at the Trade Register Office Constanta number 10.687 / 24th of January 2005, and during 2010, the company relocated its registered office in Mangalia, Lavrion Street, Nr. 29, Constanța County.

In AGEA on 8th of November 2017, the management system of the company is changed into the Dualist System, the management of the company being carried out by the Supervisory Board and the Directorate.

c) Description of the significant mergers and reorganizations

In the year 2018, no mergers or reorganizations took place.

d) Description of acquisitions and/or asset transfers.

In the year 2018, the Company continued the the strategy for the development / restructuring of the company through the sale of assets from the company's assets, namely:



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- Lidia Complex (building and land) from Venus;
- Riviera Hotel (building) from Eforie Sud;
- Flora Villa (building and field) from Eforie Nord;
- Land in the area of 383 mp in Dunărea Sat Vacanță from Saturn;
- Snack Bar Carmen Land from Eforie Nord .

1.1.1. General assessment elements:

- a) Gross profit : **11.303.056 lei**
- b) Total incomes: **63.931.471 lei (whereby supplies cancellation)**
386.715 lei);
- c) Turnover: **46.416.147 lei**
- d) Export : not applicable
- e) Total charges: **52.628.415 lei** (excepting the current, delayed tax and the specific tax amounting of **1.479.841 lei**);
- f) % from the held market: **12,80%** of the local tourist market
- g) Available in the account: **27.411.276 lei.**

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

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

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

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

Operational activity produces revenue that results in a positive economic and financial result, able to cover all operating costs, but also to make a profit partly used to finance investment programs.

Concentration of revenue achieved over a limited period of the year (June-August) involves the temporary financing of activities from attracted sources, namely bank loans, which are reimbursed as revenue is earned for the current financial year.



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1.1.2. Assessment of the company's technical level

Description of the main performed products and/or provisions mentioning:

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

In 2018, THR Marea Neagra SA operated in direct management a number of accommodation places and 4,892 public places, located in tourist resorts on the Romanian coast of the Black Sea in 4 *, 3 * and 2 *.

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

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

Direct sales at hotel reception, especially at weekends, have a significant share in sales, with the company being set up to receive and deal with requests to optimally cover its own service capabilities.

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

b) Income structure by main categories of services:

Indicators	Accomplished (lei)			Weights in total income (%)			Total weighting turnover (%)		
	2018	2017	2016	2018	2017	2016	2018	2017	2016
Total Income, excluding income cancellation provisions	63.544.756	39.058.296	48.416.288	100,00	100,00	100,00			
Turnover, whereby:	46.416.147	34.420.176	34.942.411	73,04	88,13	72,17	100,00	100,00	100,00
- Accommodation	29.393.891	21.016.132	20.160.054	46,26	53,81	41,64	63,33	61,06	57,70
- Public food service	13.932.309	10.128.015	10.617.463	21,93	25,93	21,93	30,02	29,42	30,39
- Rents	1.413.225	876.151	1.339.102	2,22	2,24	2,77	3,04	2,55	3,83
Other revenues included in the turnover	1.676.723	2.399.878	2.825.792	2,64	6,14	5,84	3,61	6,97	8,09



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The total income, excluding the provisions for cancellation of provisions, recorded by the company in the financial year 2018, amounts to 63,544,756 lei, knowing an increase compared to the total revenues of 2017 (39,058,296 lei) by 62.69%.

Within the total revenues of 2018, the turnover amounts to 46,416,147 lei, which represents an increase compared to the turnover of the previous year (34,420,176 lei) by 34.85%.

Turnover revenue in 2018 was achieved through the following activities:

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

The share in the turnover structure is the income from the activity of accommodation - 63.33%.

Income from public catering accounted for 30.02% of turnover, and rental income recorded a small share of turnover of 3.04%.

The group „Other incomes”, reflected in the turnover, achieved through secondary activities (treatment, parking, swimming pools) amounted to 1,676,723 lei and represents, compared to 2017, a reduction of 30.13% due to the decrease in the number of seats auctioned by the National House of Public Pensions for treatment services packages.

c) The new products envisaged and the stage of their development

The company has as a priority the maintenance, development and creation of new tourism products, given the current market requirements for such services.

Besides its own products, which are concretized in: packages of accommodation services, public catering, spa treatment, recreation, the company aims at developing existing capacities as well as developing and modernizing the IT system allowing on-line reservations and other services requested by tourists.

Through the tariff and contracting policy, incentive conditions were created for the tour operator agencies consisting of:

- facilities for families with children;
- "Early Enrollment" program;
- capping up to 18% of agency sales commissions against contract charges;



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- the non-provision of the catering services by the beneficiary, for which the provider grants a commission of 13%;
- granting additional (volume) discounts at the end of the season.

Special offers have been launched to boost service package sales: package deals with full-board accommodation and treatment, offers to boost online sales (non-refundable rebates, 'Best deal' offers, „last minute” offers, booking discounts accommodation and treatment packages), offers for conference rooms, participation in programs promoted by tourism employers' organizations ('Litoral for All', 'Spa Decade', 'Hai la băi', „One Week of Retrieval”).

Starting with 2018 we offer tourists and specific services on the beach area rented from CN Apele Române for a period of 10 years, in Saturn resort.

1.1.3. Assessment of the technical and material supply activity

The technical and material supply was mainly based on indigenous sources of raw materials and materials, with a few exceptions, for investments that we also used to import sources.

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

Acquisitions were made from traditional suppliers, direct manufacturers or importers, large companies accredited to those materials, certified ISO, according to European standards and standards.

Suppliers are selected by a selection board based on established criteria and a score that reflects mainly the price / quality ratio.

The dependence on the main suppliers is low, given the large number of possible suppliers on the market, with similar offers.

Regarding the security of the sources of supply, please note that all purchased materials are accompanied by certificates of conformity, warranty certificates, technical sheets.

Stocks of raw materials and materials are minimal, since the main activity of the company, the activity of providing tourist services, takes place during the summer season.

1.1.4. Assessment of sales activity

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

The company has mainly been operating on the basis of tourism service contracts concluded with travel agencies, the National House of Public Pensions (treatment contract), other beneficiaries (trade unions, organized



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groups, etc.), on-line sales and for individual tourists arriving on their own. In 2018, compared to the BVC and the achievements of the previous year, tourist traffic is as follows:

Explanation	Treatment	Agencies	Own account + Online	Tourist days	
				Other beneficiaries	TOTAL
<i>Accomplished on 31st of December 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 accomplished 2018 beside BVC 2018	(18.899)	75.847	(4.014)	1.390	54.324
Completion percentage 2018/BVC 2018	85,30%	140,94%	87,95%	104,10%	114,26%
<i>Accomplished on 31st of December 2017</i>	<i>128.563</i>	<i>189.201</i>	<i>32.152</i>	<i>32.619</i>	<i>382.535</i>
Differences accomplished 2018 beside 2017	(18.899)	71.893	(2.855)	2.665	52.804
Percentage accomplished 2018/ accomplished 2017	85,30%	138,00%	91,12%	108,17%	113,80%
Weights in the structure 2018	25,19%	59,97%	6,73%	8,10%	100,00%
Weights in the structure 2017	33,61%	49,46%	8,40%	8,53%	100,00%

As it can be seen, in the year 2018 there was a touristic circulation of 435,339 days-tourist, representing an increase compared to the budgeted indicator (381,015 days-tourist) by 14,26%, and an increase compared to the year 2017 (382,535 days-tourist) by 13.80%.

In the 2018 season, occupancy was higher than in 2017. Thus, in the 2018 season the units were opened between 23rd of May and 30th of September 2018, with an average occupancy rate of 73.12% , while in the 2017 season the units were opened during the same period of the year, registering an average occupancy of 67.18%.

From the analysis of the tourist traffic, we note:

- The treatment contract with the National House of Public Pensions (CNPP) provided a tourist flow of 109,664 tourist days, in 2018, with 18,889 tourists less than the budget forecast. This decrease is due to the decrease in the number of seats auctioned by CNPP on resorts.
- Touristic travel by travel agencies increased compared to 2017, with 71,893 tourist days, and compared to the budget forecast, it registered an increase of 75,847 tourist days. This increase is mainly due to holiday vouchers.

- The self-profitable and online sales segment recorded a slight decrease, which was influenced by the revaluation of the tour operators' contracts, which led to a decrease in the availability of other channels.
- The company also concluded contracts with other beneficiaries (trade unions, associations, sports federations, etc.), on the basis of which a touristic circulation of 35,284 tourists was made, compared to 33,894 touristy days, which represents an increase of 4,10 % compared to budget provisions.

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

Explanations	Treatament	Agencies	Own account	Other beneficiaries	Online	TOTAL
Number of tourists 2018	6.911	43.561	2.888	6.166	4.517	64.043
Number of 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%

Explanations	Treatament	Agencies	Own account	Other beneficiaries	Online	TOTAL
Medium stay 2018	15,87	6,00	3,75	5,72	4,09	6,8
Medium stay 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

As a result of the analysis of the situation presented above, the average stay indicator registered a slight decrease in the year 2018, representing 6.8 days of average stay compared to 7.41 days of average stay in 2017 (reduction due to the decrease of the number of tourists arriving through CNPP, respectively the increase in the share of those arriving through agencies, which have shorter stays).

The employment rate registered in the company in 2018 was 73.12% compared to 67.18% achieved in 2017.



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In the coming years, we will continue to consider adapting the pricing and contracting policy to market requirements, creating incentive conditions for tour operators, granting volume discounts, facilities for families with children, early affiliation policy, commissions to boost vendors and create benefits for the sale of public catering services. We will pay more attention to the on-line sales segment. We are considering the development of special offers meant to ensure an increase in tourist traffic, as well as a permanent adaptation of the tourist product to the evolution of the market.

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

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

The area has the highest concentration of tourist capacity, which creates a strong competitive climate.

The external market is a competition with similar products, the tariff policy making the difference, thus identifying the Bulgarian seaside market as a competitor.

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

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

Share of each distribution channel in total year 2018:

Explanations	CNPP	Tourism agencies	Own account	Other beneficiaries	Online	TOTAL
<i>Tourist days 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 weights 2018 (%)	25.19%	59.97%	2.49%	8.10%	4.24%	100.00%

An important share is the client of the National House of Public Pensions. Considering that the public procurement of this partner is for public sector retirees, the non-procurement of these services by the CNPP does not cancel the consumer demand. Health care being a necessary and



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continuous process, the product will be placed on other distribution channels so that the consumer can get to purchase the necessary product.

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

1.1.5. Assessment of the employee / company staff issues

α) Regarding the human resources in 2018, compared to 2017, the evolution is as follows:

Crt No.	Indicator	Number on 31 st of December 2018	Number of environment in 2018	Number of environment in 2017
A	Constant personal number whereby:	101	105	109
	a) Tesa personnel	34	35	38
	b) Operative personnel	67	70	71
B	Number of seasonal personnel (exclusively the daymen)	30	211	213
	Total of personnel	131	316	322
C	Managers and executive management	6	6	6

Compared to 2017, in 2018 there is a reduction in the average number of staff both overall and in structure, seasonal and permanent.

The dynamic situation of gross wages as well as the efficiency indicator - labor productivity, is as follows:

Crt. No.	Indicator	2018	2017	Index 2018/2017 (%)
1	Gross salary costs (excluding salaries of members of the Supervisory Board, members of the Board of Directors, the day-to-day) (lei)	10.318.733	7.646.876	134,94%
2	Average number of employees	316	322	98,21%
3	Turnover (lei)	46.416.147	34.420.176	134,85%
4	Work productivity (lei/employee)	146.780	106.895	137,31%
5	Gross monthly average wage (lei)	2.719,21	1.977,66	137,50%
6	Average gross salary in economy (lei)	4.162,00	3.131,00	132,93%



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7	Minimum gross salary on the economy (lei)	1.900,00	1.450,00	131,03%
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Gross wage costs in 2018 rose by 34.94% compared to 2017, when the average number of employees decreased by 1.79%. The increase was determined by the increase in the gross minimum wage in the economy, from 1,450 lei to 1,900 lei, due to the transfer of social security contributions and health insurance contributions from employer to employee (OUG no.79 / 2017) .

Regarding the efficiency of the use of human resources commensurate with labor productivity, it registered in 2018 an increase compared to 2017 by 37.31%.

Compared to the average gross salary of 4,162 lei, the gross salary registered by the company of 2,719.21 lei is 65.33%.

- β) Relationships between managers and employees regulated by the Collective Bargaining Agreement are based on communication, involvement and team spirit, respecting the rules and working procedures established by the job description, without any conflicting elements.

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

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

The company has identified all its activities that have a potential impact on the environment and has regulated them according to SR EN ISO 14001: 2005 environmental standards through its own procedures.

In 2018, the company did not face disputes arising from non-compliance with legal environmental regulations.

2. FINANCIAL-ACCOUNTING SITUATION

In 2018, T.H.R. Black Sea S.A. has held accounting under OMF 881/2012 and OMF 2844/2016 for the approval of accounting regulations in line with International Financial Reporting Standards. By these orders it was stated that the companies whose securities are quoted on the regulated market, including THR Marea Neagra SA, have the obligation to prepare the financial statements in compliance with the aforementioned normative acts.



TURISM, HOTELURI, RESTAURANTE

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In accordance with these regulations, the financial statements are audited annually by ABA Audit S.R.L. from Timisoara, based on the service contract nr.918 / 21st of April 2015.

The dynamic situation of the main asset positions as at 31st of December 2018, compared to the similar elements of 2017 and 2016, is as follows:

ASSET	The value on 31 st of December 2018 (lei)	The value on 31 st of December 2017 (lei)	The value on 31 st of December 2016 (lei)	Variation 2018/2017 (%)	Weight 2018 in total of assets (%)
Intangible assets	350.357	396.453	486.094	88,37%	0,13%
Tangible assets	177.378.197	183.895.784	213.085.900	96,46%	67,18%
Real estate investments	16.065.300	17.191.112	16.350.751	93,45%	6,08%
Financial assets	2.000	2.434.010	2.434.010	0,08%	0,00%
Fixed assets (including debts on deferred tax)	1.416.286	1.404.650	1.394.641	100,83%	0,54%
TOTAL FIXED ASSETS	195.212.141	205.322.009	233.751.395	95,08%	73,93%
ASSET	The amount on 31 st of December 2018 (lei)	The amount on 31 st of December 2017 (lei)	The amount on 31 st of December 2016 (lei)	Variation 2018/2017 (%)	Weight 2018 in total assets (%)
Stockages	294.185	442.128	617.337	66,54%	0,11%
Debts	2.558.816	4.868.822	6.080.021	52,56%	0,97%
Financial assets	0	0	0	0,00%	0,00%
Cash availability	27.411.276	4.439.143	7.337.535	617,49%	10,38%
Assets classified as held for sale	37.666.185	36.516.013	11.007.555	103,15%	14,27%
Expenses registered in advance	895.292	782.016	923.273	114,49%	0,34%
TOTAL CIRCULATING ASSETS	68.825.754	47.048.121	25.965.721	146,29%	26,07%
TOTAL ASSET	264.037.895	252.370.130	259.717.116	104,62%	100,00%

Within the assets of the company the largest share is held by immobilized assets (73.93%), and tangible assets representing 67.18% of total assets.

On 31st of December 2018, the fixed assets show a decrease of 4.92% as compared to 2017, a decrease due:

- The reduction recorded by the Tangible assets indicator, following the exit of the company's assets through the sale of some assets (Villa Flora from Eforie Nord - building and land, 383 sqm land in Danube Village Holiday, Lidia Hotel and Restaurant in Venus -

building and land, Carmen Snack Bar in Eforie Nord, Saturn Tea Room - building and land), the disposal of fixed assets and depreciation;

- The decrease recorded on the **Financial Assets indicator**, as a result of the depreciation of the non-current financial assets represented by the shares held at Transilvania Hotels & Travel SA Bucharest (insolvency) as required by IFRS as an asset to be impaired when there is evidence of impairment, depreciation being in the amount of **2,432,010 lei**
- The reduction recorded by the Real estate investment (rented / rented assets), as a result of the reclassification of the Claudia Complex (hotel and restaurant - building and land) from rented assets in assets held for sale, with a view to sale for sale in December 2018.

The current assets, which represent 26.07% of the total assets of the company, show a significant increase, with 46.29% compared to the level achieved in the previous year, due to:

- the increase of the **Cash Availabilities** from RON 4,439,143 as at 31.12.2017 to RON 27,411,276 at 31.12.2018, the percentage signifying an increase of 517.49%;
- increase of the Assets indicator classified as held for sale with the amount of Claudia Complex reclassified from Real Estate Investment.

The Company's debts, an indicator that is part of the current assets, registers on 31st of December 2018 a deduction of 47.44% against the debts registered on 31st of December 2017, and at the date of this report's drawing up, the company's debts registers a deduction of 57,38 % beside those recorded on 31st of December 2017.

The table below presents debts on 31st of December 2018 as compared to 31st of December 2017:

Crt. No.	Debts	Net debts on 31 st of December 2018	Depreciation adjustments on 31 st of December 2018	Debts on 31 st of December 2018	Net debts on 31 st of December 2017	Variation in net debts on 31 st of December 2018 / 31 st of December 2017 (%)
1	Total trade receivables whereby	787.604	1.727.934	2.515.538	1.501.784	52,44%
	<i>Transilvania Hotels & Travel SA</i>	3.664	443.593	447.257	670.329	0,55%
2	State budget debts	1.593.574	0	1.593.574	3.228.288	49,36%
3	Asset sale debtors	0	0	0	0	
4	Different debtors	27.113	0	27.113	216	12.552,12%
5	Other debts	150.526	0	150.526	138.533	108,66%
	TOTAL	2.558.816	1.727.934	4.286.750	4.868.821	52,56%

The *company's debts* consist of:



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- commercial receivables represented by tourist services and other services rendered by THR Marea Neagră to third parties in the amount of 2,515,538 lei which were adjusted with the amount of 1,727,934 lei representing debts older than one year for the services rendered to Rugby Club Constanta, Marea Comtur SRL, Transilvania Hotels & Travel SA, Romanian Boxing Federation, Sind Tour Operator, ACS Cuza Sport, Ager Construct and Remat Sud Mangalia;
- debts to the state budget represented mainly by VAT to be recovered in the amount of 1,547,848.22 lei;
- other receivables are represented mainly by interest receivable at deposits with BCR in the amount of 46,049 lei in December 2018 and will be cashed in January 2019, various attachments of ANAF which in January 2019 will be extinguished from the debts of the company to the Budget of State, attachments Bureau Executor Judges representing sums due to Mateevici and associates, withheld by the bank and paid by the company, the amounts paid in addition being refunded by BEJ in January 2019.

In the year 2018, passive positions had the following evolution:

LIABILITY	The amount on 31 st of December 2018 (lei)	The amount on 31 st of December 017 (lei)	The amount on 31 st of December 2016 (lei)	The variation 2018/2017 (%)	Weight 2018 in total liabilities (%)
Subscribed and paid-up share capital	57.894.994	57.894.994	57.894.994	100,00%	21,93%
Adjustment of share capital due to the application of IAS 29	85.945.333	85.945.333	85.945.333	100,00%	32,55%
Issuing and fusion bonuses	1.895.855	1.895.855	1.895.855	100,00%	0,72%
Stores	24.201.711	22.894.846	22.542.869	105,71%	9,17%
Reserve inflated as a result of first-time application of IAS 29	16.745.901	16.745.901	16.745.901	100,00%	6,34%
Differences from reassessment	105.189.642	107.511.069	107.996.624	97,84%	39,84%
Retained earnings except for retained earnings arising from the adoption of IAS 29 for the first time	54.909.087	52.587.660	52.860.602	104,41%	20,80%
Retained earnings from the adoption of IAS 29 for the first time	(102.691.275)	(102.691.275)	(102.691.275)	100,00%	(38,89%)
Other equity items	(13.056.538)	(12.690.844)	(12.895.772)	102,88%	(4,94%)
The result of the exercise	9.823.215	1.691.836	4.455.307	580,62%	3,72%
TOTAL OWN CAPITALS	240.857.925	231.785.375	234.750.438	103,91%	91,22%
TOTAL DEBTS whereby:	23.179.970	20.584.754	24.966.677	112,61%	8,78%
Medium and long term debts	13.990.340	15.209.362	16.047.728	91,99%	5,30%
Short term debts	9.189.631	5.375.392	8.118.949	170,96%	3,48%
TOTAL LIABILITY	264.037.895	252.370.130	259.717.116	97,17%	100,00%



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Within the liabilities, the largest share is the own capital (91.84%), the share capital accounting for 21.93% of the total liabilities of the company.

The own capitals on 31st of December 2018, they know an increase of 3.91% compared to the own capital registered on 31st of December 2017, being constituted of:

- subscribed and paid up share capital of 57,894,994 lei, unchanged in the last 3 years;
- issue and merger premiums of 1,895,855 lei, unchanged in the last 3 years;
- reserves consisting of legal reserves and other reserves, in the total amount of 24,201,711 lei, with an increase compared to 2017 (22,894,846) by 5.71%, due to the distribution on other reserves of the amount of 741,712 lei of the net profit of the year 2017 and the legal reserve of the amount of 565,153 RON from the net profit of 2018;
- differences in the revaluation of the company's assets in the amount of 105,189,642 lei which compared to 2017 decreased by 2.16% on the sale of some assets;
- the retained earnings from the surplus realized from revaluation reserves amounting to RON 54,909,087 have an increase of 4.41% compared to 2017;
- the net result of the exercise in the amount of 9,823,215 lei increased by 480.62% compared to 2017, an increase due to both the sales of assets and the basic activity.

We mention that revaluations made after January 1, 2004 are recognized from the tax point of view as elements similar to those of the amortization of property, plant and equipment. For these temporary differences between book value and tax, IAS 12 requires the calculation of deferred tax that diminishes the amount of equity (included in the table under other equity) and is added to liabilities.

Short-term debts on 31st of December 2018, including provisions, structured by nature and chargeability, are shown in the table below:

lei							
Crt. No.	The account's name	Debts on 31 st of December 2018	Under 30 days	30-90 days	91-180 days	181-270 days	270-365 days
1	COMMERCIAL DEBTS AND OTHER DEBTS	8.942.597	5.123.048	1.878.227	54.241	8.324	1.878.758
1.1.	Advance payments on the orders account	2.317.080	71.533	372.833	0	0	1.872.714
	Advance payments for active sales based on Sales-Buy Promises	2.245.547	0	372.833	0	0	1.872.714
	Atinimul – Meteor Hotel	466.680	0	0	0	0	466.680



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	<i>Media Class – Ancora Hotel</i>	<i>1.170.764</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>1.170.764</i>
	<i>Star 95 SRL – Rapsodia Garden/Restaurant</i>	<i>608.103</i>	<i>0</i>	<i>372.833</i>	<i>0</i>	<i>0</i>	<i>235.270</i>
	Advance payments for tourist services	71.533	71.533	0	0	0	0
1.2.	COMMERCIAL DEBTS	2.085.578	2.085.578	0	0	0	0
	Providers	<i>1.945.476</i>	<i>1.945.476</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>
	Immobilization suppliers	<i>76.793</i>	<i>76.793</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>
	Suppliers – non-billed invoices	<i>63.310</i>	<i>63.310</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>
1.3.	DEBTS WITH STATE AND LOCAL BUDGET	1.410.056	479.279	930.777	0	0	0
	Social Securities	<i>194.630</i>	<i>194.630</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>
	Insurance contribution for work	<i>11.771</i>	<i>11.771</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>
	Current income tax	<i>930.777</i>	<i>0</i>	<i>930.777</i>			
	VAT under settlement	<i>2.002</i>	<i>2.002</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>
	Payroll tax	<i>33.825</i>	<i>33.825</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>
	Special funds	<i>7.884</i>	<i>7.884</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>
	Average fund	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>
	Disability fund	<i>7.884</i>	<i>7.884</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>
	Other debts with the budget	<i>229.167</i>	<i>229.167</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>
	Specific tax semester II 2018	<i>221.167</i>	<i>221.167</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>
	Other debts	<i>8.000</i>	<i>8.000</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>
1.4.	DEBTS WITH THE PERSONNEL	415.230	415.230	0	0	0	0
	Collaborators	<i>34.529</i>	<i>34.529</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>
	Personnel - due wages	<i>123.602</i>	<i>123.602</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>
	Personal material benefits due	<i>9.814</i>	<i>9.814</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>
	Unmanaged personal rights	<i>2.387</i>	<i>2.387</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>
	Remuneration from wages due to third parties	<i>11.185</i>	<i>11.185</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>
	CAR	<i>5.293</i>	<i>5.293</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>
	Syndicate	<i>1.575</i>	<i>1.575</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>
	Attachments	<i>818</i>	<i>818</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>
	Alimony	<i>3.499</i>	<i>3.499</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>
	Other debt related to staff	<i>233.713</i>	<i>233.713</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>
	Personnel transport	<i>5.482</i>	<i>5.482</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>
	Manager guarantees	<i>228.231</i>	<i>228.231</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>
1.5.	OTHER DEBTS	2.714.654	2.071.428	574.617	54.241	8.324	6.044
	Other borrowings and assimilated debts	<i>402.794</i>	<i>331.043</i>	<i>3.142</i>	<i>54.241</i>	<i>8.324</i>	<i>6.044</i>
	Supplied Term Guarantees	<i>239.779</i>	<i>168.028</i>	<i>3.142</i>	<i>54.241</i>	<i>8.324</i>	<i>6.044</i>
	Received guarantees	<i>163.015</i>	<i>163.015</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>
	Shareholder dividends	<i>455.866</i>	<i>455.866</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>
	Gross related dividends 2017	<i>421.192</i>	<i>421.192</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>



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	<i>Net or previous dividends</i>	34.673	34.673	0	0	0	0
	Total various creditors of which:	582.657	11.182	571.475	0	0	0
	Guaranteed active auction	579.180	7.705	571.475	0	0	0
	<i>Const Media Services – CFR travel agency</i>	7.705	7.705	0	0	0	0
	<i>Energoutil Contact – Claudia Complex</i>	571.475	0	571.475	0	0	0
	<i>Various creditors</i>	3.477	3.477	0	0	0	0
	Amounts to be clarified	1.273.337	1.273.337	0	0	0	0
2	SHORT TERM PROVISIONS (for unpaid leave and personal benefits in relation to pensions)	247.034	247.034	0	0	0	0

Short-term debts on 31st of December 2018, including provisions, increased by 70.96% over the same period last year, due to:

-advances in the amount of 2,245,547 MDL received for sales of assets based on Active Sales Promises (Meteor Hotel, Ancora Hotel and Rhapsody Garden), advances that will close at the time of signing the sale-purchase agreements;

-guarantees in the amount of 579,180 lei, collected for participation in active buying auctions (Claudia complex, CFR travel agency), which will be closed at the time of signing the sale-purchase contracts;

-the profit tax calculated at 31.12.2018 in the amount of 930,777 lei;

-amounts in the amount of RON 1,273,337 represent additional building taxes in the amount of 939,413.29 lei and additional land tax in the amount of 333,923.37 lei recognized by the company at cost in the financial year of 2014 and not paid until the finalization the dispute with the Mangalia City Hall following the tax inspection carried out for 2008-2012;

-setting up provisions for unpaid leave and supplementing the benefits of pensioners expected to retire in 2019 (with 12,838 lei).

We mention that on the date of this report, the amount of 822,600 lei representing commercial suppliers was paid out, of which 615,735 MDL represents the debt to Transilvania Hotels & Travel SA.

Long-term debts on 31st of December 2018, totaling **RON 13,990,340**, decrease by 8.01% compared to 31 December 2017 (RON 15,209,362), mainly due to full reimbursement, in advance, of the investment loan contracted with UNICREDIT Bank. Long-term debts, including provisions, consist of performance guarantees provided by service providers and fixed assets in the amount of 65,160 lei, from the deferred income tax in the amount of 13,181,121 lei, a non-repayable debt to be recognized as payable debt, depreciation or expense of property, and long-term provisions amounting to RON 744,059.



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The composition of these provisions is the following:

- provision for the amount of **6,000 lei** representing court costs incurred in settling an older file owed to Balu Eugenia
- provision for the amount of **577,125 lei** representing claims for the improvement of the villa Flora during its exploitation by Cârjă Vasile in File no. **3093 / 118/2016**
- provision for the amount of **9,000 lei** representing claims worth the goods stole to the defendant Domuță Maria of unknown authors (tourist accommodated at Sirena Hotel) - File no.10813 / 296 / 2016
- provision for the amount of 10,000 lei representing the amount of 10,000 paid by the applicant as a fine for the contravention, payment of overtime, claims issued by Dumitrașcu Angela in File no. 3282/118/2018
- provision for the amount of RON **22,413** representing additional indemnities for the use of phonograms due to the Union of Phonogram Producers;
- provision for the amount of **78,000 lei** representing taxes and accessories calculated additionally by Eforie City Hall;
- provision for the amount of **41,520 lei** representing court costs, lawyers' fees from files 2639/118/2017 and 4847/212/2010, amount claimed by Mateevici Alexandru, Zellinger, Stoicovici and others in File 15314/212/2018

The Company canceled in 2018 provisions amounting to **386,715 lei**, representing a provision amounting to **352,547 lei** for the final sentence issued in connection with the TV fee owed by THR Marea Neagra SA to the Romanian Television Society for the period 2012-2015 and a provision for **34,168 lei** related to the final sentence pronounced in relation to the remuneration of performers for the years 2013 and 2014 and due to CREDIDAM of Bucharest.

RESULT OF FINANCIAL YEAR 2018

The incomes and expenditures realized in 2018 on the two major categories of activities, in relation to the provisions of BVC 2018 and the achievements of 2017, are as follows:

Indicators	Accomplished 2018 (lei)	Accomplished 2017 (lei)	Accomplished 2016 (lei)	BVC 2018 (lei)	Index 2018/ 2017 (%)	Index 2018/ BVC 2018 (%)
Total operating incomes whereby:	63.346.095	38.666.833	47.788.719	44.664.470	163,83%	141,83%
Accommodation activity	<i>29.393.891</i>	<i>21.016.132</i>	<i>20.160.054</i>	<i>24.276.000</i>	<i>139,86%</i>	<i>121,08%</i>
Public catering activity	<i>13.932.309</i>	<i>10.128.015</i>	<i>10.617.463</i>	<i>10.250.000</i>	<i>137,56%</i>	<i>135,92%</i>
Rental activity	<i>1.413.225</i>	<i>876.151</i>	<i>1.339.102</i>	<i>1.357.370</i>	<i>161,30%</i>	<i>104,11%</i>



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Other income included in the turnover (spa treatment, parking, swimming pool ..)	1.676.723	2.399.878	2.825.792	2.262.600	69,87%	74,11%
Active sales activity	14.673.559	1.382.160	10.919.946	4.700.000	1,061,64%	312,20%
Other income (fixed assets, adjustments, fines, penalties, etc.)	2.256.389	2.864.497	1.926.362	1.818.500	78,77%	124,08%
Total Operating Expenses of which:	50.122.315	36.801.568	42.291.921	39.661.510	136,20%	126,38%
Expenditure on stocks	7.501.716	6.139.255	6.843.669	6.270.000	122,19%	119,64%
Utility expenses	2.752.571	2.260.544	2.550.082	2.615.000	121,77%	105,26%
Employee Benefits Expenditures	12.463.395	11.084.218	10.259.533	12.889.200	112,44%	96,70%
Expenses with amortization and depreciation of fixed assets	6.714.282	6.820.711	6.857.190	6.940.000	98,44%	96,75%
Expenditure on ceded assets and assets held for sale	7.309.729	766.095	5.895.660	727.510	954,15%	1.004,76%
Expenses with other taxes and fees	4.362.672	3.252.799	3.331.056	4.306.500	134,12%	101,30%
Expenditure on external benefits	7.232.427	5.119.548	6.391.764	5.853.300	141,27%	123,56%
Other expenses	1.785.521	1.358.398	162.965	60.000	131,44%	-
Operating result	13.223.780	1.865.265	5.496.799	5.002.960	708,95%	264,32%
Financial incomes	585.376	460.791	627.569	396.000	127,04%	147,82%
Financial expenses	2.506.100	113.124	582.023	180.000	2.215,36%	1.392,28%
Financial result	(1.920.723)	347.667	45.545	216.000	(552,46%)	(889,22%)
TOTAL INCOMES	63.931.471	39.127.624	48.416.288	45.060.470	163,39%	141,88%
TOTAL EXPENSES	52.628.415	36.914.692	42.873.944	39.841.510	142,57%	132,09%
GROSS RESULT	11.303.056	2.212.932	5.542.345	5.218.960	510,77%	216,58%
Expenses with current income tax	930.777	0	1.116.307	-	-	-
Expenses with the specific tax	439.630	293.512	0	-	149,78%	-
Expenses with the deferred tax	109.434	227.584	0	-	48,09%	-
Incomes related to the deferred tax	0	0	29.269	-	-	-
NET Result	9.823.215	1.691.836	4.455.307	5.218.960	580,62%	188,22%

Indicators	Accomplished 2018	Accomplished 2017	Accomplished 2016	BVC 2018	lei	
					Index 2018/ 2017	Index 2018/ BVC 2018
Basic activity						
Operational activity						
Incomes (including the incomes from provision cancellations)	48.672.536	37.284.673	36.868.773	39.964.470	130,54%	121,79%
Expenses	42.812.586	36.035.473	36.196.673	38.934.000	118,81%	109,96%
Gross profit from operational activity	5.859.950	1.249.200	672.100	1.030.470	469,10%	568,67%
Financial activity						



TURISM, HOTELURI, RESTAURANTE

MAREA NEAGRA S.A.

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 Two tier model

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Incomes	585.376	460.791	627.569	396.000	127,04%	147,82%
Expenses	2.506.100	113.124	582.023	180.000	2.215,36%	1.392,28%
Financial gross profit	(1.920.724)	347.667	45.545	216.000	(552,46)%	(889,22)%
Total incomes from the basic activity	49.257.912	37.745.464	37.496.342	40.360.470	130,50%	122,04%
Total expenditures from basic activity	45.318.686	36.148.597	36.778.697	39.114.000	125,37%	115,86%
Gross result from the basic activity	3.939.226	1.596.867	717.645	1.246.470	246,69%	316,03%
Active sales activity						
Incomes	14.673.559	1.382.160	10.919.946	4.700.000	1.061,64%	312,20%
Expenses	7.309.729	766.095	6.095.247	727.510	954,15%	1.004,76%
Gross profit on asset sales	7.363.830	616.065	4.824.699	3.972.490	1.195,30%	185,37%
TOTAL Incomes	63.931.471	39.127.624	48.416.288	45.060.470	163,39%	141,88%
TOTAL Expenses	52.628.415	36.914.692	42.873.944	39.841.510	142,57%	132,09%
TOTAL GROSS PROFIT	11.303.056	2.212.932	5.542.344	5.218.960	510,77%	216,58%
Profit tax expense + Specific tax expense + Deferred operating profit tax	1.479.841	521.096	1.087.037	0	283,99%	0,00%
NET RESULT	9.823.215	1.691.836	4.455.307	5.218.960	37,97%	188,22%

The total incomes registered in 2018, amounting to 63,931,471 lei (including the provisioning income in the amount of 386,715 lei) recorded an increase of 41.88% compared to the budgeted level (45,060,470 lei) and by 63.39% compared to the volume registered in the previous year 2017 (39,127,624 lei).

The total expenses in the financial year 2018, in the amount of 52,628,415 lei (less the deferred and specific income tax expense), also registered an increase of 32.09% compared to the level foreseen in the BVC for the period (39.841. 510 lei) and 42.57% compared to the expenses of the year 2017 (36.914.692 lei).

According to the activities, according to the share of the realized revenues, in the total revenues, two main categories can be identified: the basic activity of the company (strictly operational), generating revenues of 76.13% of the total revenues and the sales activity assets, in accordance with the strategy approved by the General Meeting of Shareholders of the company, with revenues of 22.95% of the total.



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The total gross profit realized in the amount of 11,303,056 MDL presents by activity the following structure:

- Operational activity	5.859.950 lei	51,84 %
- Financial activity	(1.920.724) lei	(16,99) %;
- Activity from active sales	7.363.830 lei	65,15 %;

On 31st of December 2018, the company recorded a gross profit of the basic activity of RON 3,939,226, which means an increase of 216.03% over the budgetary provisions (1.246.470 lei) and an increase of 146.69% compared to the realized in 2017 (1,596,867 lei), having the following indicators structure:

- **The gross operating income of** RON 5,859,950 - a 468.67% increase over the budget provisions (1.030.470 lei) and an increase of 369.10% compared to the one realized on 31.12.2017 (1.249.200 lei)
- **Loss of financial activity**, amounting to 1,920,724 lei - due to the depreciation of the shares held by THR Marea Neagra SA in Transylvania Hotels & Travel SA, a company insolvent in 2017, amounting to 2,432,100 lei

Regarding the gross profit from the sale of assets, we have a value of 7,363,830 lei, which represents an increase of 85.37% compared to the budgetary commitments (3,972,490 lei) and an increase of 1,095.30% compared to the year 2017 (616.065 lei), and is due to the sale of the assets of Lidia Complex (building and land), Riviera Hotel, Flora Villa (building and land), Saturn Confectionery (building and land), the adjacent Carmen Snack Bar Eforie Nord and a lot of land of 383 sqm in the Danube Village.

The management of the company took measures in 2018 to strictly track spending and resize.

Mainly, they consisted of:

- manage the arrival of tourists in certain hotels and restaurants to ensure a level of employment that enables them to be exploited in an efficient manner and the others to ensure minimum operating conditions;
- reducing the consumption of utilities and optimizing them by setting the rules of crisis consumption;
- direct delivery of units to reduce transportation, storage and distribution costs.
- the rhythmical supply, based on a well-founded necessity, the provision of minimum stocks;
- staffing in proportion to revenue developments;
- Return of goods to suppliers at closure of units;
- general spending and administration restrictions;



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- tracking treasury flows very closely by correlating earnings with payments, reducing the balance of the loan account and the related interest;
- strictly tracking maturities in state and local budgets, partners, to avoid delays that may lead to the payment of possible penalties and / or fines;
- the collection of receivables, compliance with the recovery procedure.

Concluding, at the end of 2018, T.H.R. Marea Neagră S.A. registered a gross profit of RON 11,303,056, and a net profit, determined after the deduction of the current, deferred tax, and of the specific tax calculated, according to the legal regulations, in the amount of 9,823,215 lei.

3. Ensuring financial resources, honoring payment obligations

During the year, the company financed its activity by using its own sources and by employing a credit line with BCR in the amount of 7,500,000 lei, a line that on 31.12.2018 is not used.

In August 2018, the investment loan contracted from UNICREDIT Bank was fully reimbursed, although it had the final maturity date 01.10.2020

Regarding the payment obligations, the company does not record as of 31.12.2018 outstanding liabilities in relation to the state budget, banking institutions and other authorities.

4. Assets of the commercial company

4.1. The main accommodation and catering facilities of the company, which are in the tourist circuit in 2018, consist of:

Accommodation units:

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

Units of public food service:

- 2 restaurants of 4*, with a total capacity of 992 places
- 6 restaurants of 3*, with a total capacity of 2.482 places
- 5 restaurants of 2*, with a total capacity of 1.418 places
- 2 day bars of 4* with a total capacity of 120 places



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- 9 day bars of 3* with a total capacity of 424 places
- 1 day bar of 2* with a total capacity of 60 places
- 2 bufete de 1 * with a total capacity of 120 places

Recreation unities:

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

Spa treatment units:

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

Overall, the company had 6,580 accommodation places and 4,892 public catering establishments in the tourist circuit in 2018. The distribution on the resorts is presented below:

Classif. Categ.	Eforie Nord		Eforie Sud		Venus		Saturn		Grand total	
	unities	cap	unities	cap	unities	cap	UnitiesG range total	cap	unities	places
****	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 accommodation	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



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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 analysis of the wear properties of THR Marea Neagra SA

The assets owned by the company are more than 45 years old, generally built between 1968 and 1972. The assets in the tourist circuit have classification certificates and legal driving licenses, fulfilling the legal requirements for the comfort category.

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

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

These assets generate both fixed and variable expenses necessary for the preservation, fixed expenses of the nature of taxes and duties being amended by the Law no.227 / 2015 regarding the Tax Code with applicability starting with 01.01.2017.

In order to optimize these costs, it was foreseen the partial operation of some assets wherever possible, in order to reduce the volume of recorded losses.

5. Assement of investment and development activity

The company is in constant search for solutions to reduce costs, but also to attract new customers. The company has implemented alternative solutions for the production of thermal energy for the preparation of domestic hot water with solar energy, the solution being expanding. At the same time, given the fact that the local administration has completed the gas supply of the resorts, the company started the process of connecting the thermal power plants to the gas network, with a positive impact on the environment and the efficient use of the financial resources.

In 2018, the company made significant investments amounting to **8,626,767 lei** (including VAT), presented in the following table:



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Crt. No.	Unit	Investment objective	Total value whereby:	Works	Facilities
1	Diana Hotel	Interior work, Furniture and carpets, Wood carpentry of wood	1.045.976	662.933	383.043
2	Cerna Restaurant	Kitchen extension, kitchen equipments, construction works, plumbing, painting, electrical equipments	929.446	720.776	208.670
3	Venus Hotel + CT	Carpet rooms and halls, furniture, mounted tiles 1880 sqm, painting, wood carpentry 450 sqm, modernization of electrical panels CT	902.878	600.148	302.730
4	Sirena Hotel	Underfloor heating systems, Chiller, Design, installation of boiler, electrification and automation	621.288	621.288	0
5	Balada Hotel	Door rooms 1,2,8-13, carpets 1,2,8-13, Rehabilitation of electrical panels	618.077	618.077	0
6	Venus Restaurant	Hygiene kitchen space, lounge and terrace modernization, carpentry replaced, self-service line fitting, partial kitchen area rehabilitation, sanitary rehabilitation small parter salon, self-service line	586.215	507.929	78.286
7	Raluca Hotel	Rehabilitation of facades	294.996	294.996	0
8	Sediu administrativ	Air conditioning equipment, Intangible assets (licenses, works projects), electronically archived houses	288.839	14.278	274.560
9	BBB Swimming pool, Raluca, Balada, Cleopatra	Interior, exterior rehabilitation	191.257	191.257	0
10	Headquarters Administration.	Clarvision's economic management system	170.925	170.925	0
11	Bega Hotel	Plumbing, painting, electrical installations	156.700	156.700	0
12	Cleopatra Hotel, Cleopatra Restaurant, Sirena H. + R., Lidia H + R., Narcis Hotel + Restaurant, BBB Complex	ISU Documentation drawing up	125.690	125.690	0
13	Cleopatra Hotel	Door halls access, fire doors	118.829	118.829	0
14	Capitol Hotel	Modernization of electric panels, rearrangement of 12 bathrooms	100.051	100.051	0
15	Aida Hotel	Fire escape handrail	95.248	95.248	0
16	District 1 Beach	Furniture facilities, beach establishment projection	92.839	0	92.839
17	Capitol Restaurant	Waterproofing kitchen area, changing rooms, modernization of electrical panels	85.275	85.275	0
18	Gloria Hotel	Modernization of electrical panels	82.195	82.195	0
19	Cerna Hotel	Rehabilitation of sanitary groups and basement	75.626	75.626	0



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		installations			
20	Vraja Mării Hotel	Modernization of electrical panels, rehabilitation of balconies, exterior painting	67.887	67.887	0
21	Administrative office	BITSOFT - intangible assets (OPERA Clarvision and MC Clarvision interfaces)	57.259	57.259	0
22	Bega + Brad Restaurants	Kitchen equipments, fans	53.304	46.494	6.810
23	Balada Restaurant	Exterior aesthetics, kitchen equipments	52.568	41.557	11.011
24	Narcis Restaurant	Rehabilitation (finishing work commenced in 2016)	23.614	23.614	0
25	Aida Restaurant	Fitting locker rooms	20.003	20.003	0
26	Prahova Hotel	East façade exterior esthetics	33.095	33.095	0
27	THR Marea Neagra Unities	Construction work, plumbing, painting, electrical installation	359.306	359.306	0
		TOTAL INVESTMENTS (lei without VAT)	7.249.384	5.891.436	1.357.948
		VAT	1.377.383		
		TOTAL INVESTMENTS (lei including VAT)	8.626.767		

The following **financing sources** were used to finance the investments:

Explanations	BVC 2018	Accomplished on 31.12.2018
Unused sources of funding from the previous year	10.054.713	10.054.713
Amortization	6.940.000	6.714.282
Cash Flow from asset sales	4.700.000	17.747.854
Financing fund 2017	90.000	90.000
Total own funding sources	21.784.713	34.606.849
Repayment credit for investments + interests	(920.000)	(2.467.979)
Return of performance guarantees	(230.000)	(351.519)
Dividends 2017	(1.800.000)	(830.658)
Total funding sources	18.834.713	30.956.693

The investment financing action was supported entirely by its own sources.

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

Disputes concerning the ownership of the buildings belonging to T.H.R. Marea Neagră S.A:



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- PTTR Agency Saturn Travel agency in contradiction with CN Romanian Post.

7. Market of securities issued by THR Marea Neagra SA

7.1. Specifying markets in Romania and other countries where securities are negotiated

THR Marea Neagră SA is a publicly owned company, according to the terminology stipulated in Law 24/2017 on the capital market, being registered with the National Securities Commission - Securities Register Office.

T.H.R. Marea Neagră S.A. shares are listed in the 2nd category of the Bucharest Stock Exchange starting with August 15, 2002, with the symbol "EFO".

On the last trading day of 2018 and 31.12.2018 respectively, at the closing of the Stock Exchange, the shares of THR Marea Neagră SA were quoted at a maximum of 0,0924 lei / share, compared to 0,098 lei / share on 30.12.2017.

7.2. Description of the company's policy on dividends. Specification of dividends due / paid / accumulated in the last 3 years

For the year 2015, the General Meeting of the Shareholders decided the distribution of the profit for the constitution of legal reserves, own sources of financing and dividends amounting to **3.137.436 lei**.

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

For the year 2017, the General Meeting of the Shareholders decided the distribution of the profit for the constitution of legal reserves, own sources of financing and dividends amounting to **839,477 lei**.

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

The company did not acquire its own shares in 2018.

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

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

- 100,00% of the share capital of the Company Balneoterapia S.R.L.
- 32,059% of the share capital of the Company Transilvania Hotels & Travel.



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

The company did not issue bonds in 2018.

8. THE DIRECTORATE OF T.H.R. MAREA NEAGRĂ S.A.

8.1. The Board of Supervisors

In 2018, the company was managed by a Supervisory Board consisting of 3 members:

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

The Board of Supervisors met periodically in session, according to the provisions of Law 31/1990 republished and in accordance with the provisions of the Articles of Incorporation.

All efforts of the Board of Supervisors have been geared towards fulfilling the company's mission of providing quality services with the help of qualified staff. Also, the priority objective is to develop the technical-material base, rehabilitate and modernize the existing one through a coherent and consistent investment program, under the terms of a real environmental protection.

The Board of Supervisors pursued the achievement of the proposed activity program for 2018, the implementation of the monthly and half-year income and expenditure budget and the approved investment and repair program.

The supervisory and organizational effort of the Board of Supervisors has resulted in future company development programs, marketing programs, computerization programs, staff promotion and recruitment programs, and enhancement of the tourism product quality, procedures systems for the main activities of the company, and reconsidering its organizational structure.

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

It's not necessary.



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b) the attendance of the members within the Board of Supervisors in the capital of the commercial company

Mister Mielu Dobrin, president of The Board of Supervisors, holds 406.759 shares issued by the company.

c) list of affiliated commercial companies:

The affiliated persons of THR Marea Neagră SA are:

- S.I.F. Transilvania S.A., a company holding 77.71% of the shares issued by T.H.R. Marea Neagră S.A.;
- Balneoterapia Saturn S..R.L., Company to which T.H.R. Marea Neagră S.A. holds 100% of the issued shares;
- Transilvania Hotels & Travel S.A., Company to which T.H.R. Marea Neagră S.A. holds 32,059% of its share capital.

8.2. Executive management of the commercial company

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

The composition of the Executive Board until **23.04.2018** was:

- Moșoiu Georgiana Narcisa – General Manager / Executive President and Chairman of the Board
- Cazacu Dorinel – Member of the Directorate / Managing Director
- Parcalabu Doina Domnica – Member of the Directorate / Commercial Director – Financial

On April 20, 2018, the term of office of Cazacu Dorinel, regarding the appointment and exercise of the position of a member of the Company's Board of Directors following his resignation, is terminated and is appointed as a member and vice-president of the Company's Directorate, Mister FRUNZĂ VICTOR ALEXANDRU between 23.04.2018 - 30.09.2018.

On 30.09.2018 following the termination of the mandate granted to Mister Frunză Victor Alexandru, Mister Stănescu Constantin is appointed as a member of the company's management for a term of office between 01.10.2018 - 31.12.2018.



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By the decision of the Board of Supervisors no. 20 / 28.09.2018, the mandate contract concluded with Madam Moșoiu Narcisa, chairman of the Executive Board, between 01.10.2018-31.12.2021 and of Madam Pârcălabu Domnica Doina, member of the Directorate, between 01.10.2018 - 31.12.2018 and her appointment as Deputy Chairman of the Company's Directorate.

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

It's not necessary.

b) *the attendance of the members of directorate in the capital of the commercial company*

Madam Narcisa Georgiana Moșoiu owns a number of 1,500 shares issued by the company.

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

It's not necessary.

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

9.1. The management of the company has ensured and ensures prudent liquidity risk management by continuously pursuing sufficient cash provision so as to deal in time with the matured payments.

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

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



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

The main risks to which the company is exposed are:

- Interest rate risk

Company's operating cash flows are affected by interest rate fluctuations, mainly in the case of credit lines contracted according to the ROBOR rate. In recent years, the ROBOR benchmark has had a relatively constant trend, which reduces this risk

- Credit risk

The credit risk is the risk of loss registration or loss of earnings as a result of non-fulfillment of financial obligations.

- Liquidity risk

Liquidity represents ability of the company to provide the necessary funds to meet all its direct and indirect payment obligations at a reasonable price at any time. Liquidity risk is the actual or potential risk that the company's profits and capital could be subject to as a result of its failure to meet its payment obligations at the time of maturity.

The company has always sought to balance its funding sources with its short-term needs, so it has always had liquidity to meet its financial obligations. The company prepares monthly cash-flow forecasts for periods ranging from 6 months to one year, so it can detect a possible lack of liquidity on time and can take action accordingly.

- Operational risk

Operational risk is defined as the risk of loss or loss of earnings due to internal factors such as inadequate performance of internal activities, the existence of inadequate personnel or systems, or external factors such as economic conditions, changes on the capital market, technological advances. Operational risk is inherent in all Company activities.



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

9.2. Perspective elements on the activity of T.H.R. Marea Neagră S.A.

One of the products with great potential for growth in the future is spa tourism. The units of the company are located in resorts with natural factors of cleanliness. The company has identified this opportunity and obtained licenses to exploit these natural resources, expanding its capacity for treatment bases so as to be able to cope with the demand for such services.

This segment of spa tourism ensures the reduction of seasonality effects of tourist activity and helps to attract tourists from abroad, especially from the European area. European Directive No. 24/2011 sets out patients' rights in cross-border healthcare, providing the legal framework to guarantee the rights of European citizens to receive healthcare in all European Union countries. One of the main concerns of the company is to attract this segment of tourists.

Another development direction is leisure tourism, which is a priority for the company, with the designing of the environment, including the development of recreational facilities. A major concern of the company is the expansion of distribution channels. The company is constantly searching for new customers, and strengthening market relations with current customers.

10. CORPORATE GOVERNANCE

The Board of Supervisors has met periodically in the sitting, according to the provisions of Law 31/1990 republished and whenever necessary, its attributions being stipulated in the Constitutive Act.

During 2018, the activity of the Board of Supervisors was focused on the achievement of the object of the company's activity according to the decisions of the General Assembly, the legal provisions and the provisions of the Articles of Incorporation.

One of the constant concerns of the members of the Supervisory Board was the increase in sales through the development of the sales department, the identification of new customers and the



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loyalty of traditional customers. It also aimed to improve the policy of promoting tourism products by launching special offers and customized offers for specific tourist categories.

The company actively searched for potential clients, organized public auctions, and advertised for such transactions.

Company disputes are systematically monitored by the Supervisory Board, so that each meeting of the board has at least one point on the agenda of the company's main disputes.

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

As the transition to the dual system of administration, the Board of Supervisors set up two committees with the following composition:

- Audit committee: Mielu Dobrin and Florin Dănuț Buzatu
- Nomination and Remuneration Committee: Dragoș Călin și Florin Dănuț Buzatu.

The attributions of the Executive Board are clearly set out in the mandate contracts concluded with the company.

In 2018, an internal control system was implemented within the company, with working procedures established for the main activities. Internal control is provided at all levels, with an internal financial and management control office being organized within the company.

The internal audit activity was provided by Romar-CO Audit SRL, an audit which is directly subordinated to the Supervisory Board.

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

The company's financial and accounting reports are forwarded to the tax authorities and market organizations at the statutory deadlines.

The Company records on 31.12.2018 a share capital of 57,894,993.90 lei, subscribed and paid-up share capital, representing 578,949,939 nominative, ordinary, dematerialized and indivisible shares with a nominal value of 0.1 lei / share. The company thus complies with the



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

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

During 2018 the subscribed and paid-up share capital did not change, the structure of the shareholders on 31st of December 2018, taken from the BVB website is the following:

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

The Company does not have employee share schemes and there are no restrictions on voting rights. It also has no knowledge of agreements between shareholders that may result in restrictions on the transfer of securities and / or voting rights.

The appointment or replacement of the members of the company's management, as well as the amendment of the constitutive acts, are made in accordance with the legal provisions. Until now, the proposed members of the Supervisory Board have been made by the majority shareholder, the appointment being decided by the General Meeting of Shareholders.

The Chairman of the Board of Supervisors is elected by voting by the members of the Board of Supervisors.

Regarding the appointment of the members of the Directorate and of the functions within the Directorate, this is done by the Board of Supervisors.

The meetings of general shareholders' assembly are as follows:

- the shareholders' share list, the share capital represented by each of them and the observance of the legal requirements and the provisions of the Articles of Incorporation for the holding of the general meeting;
- the items on the agenda of the convocation are presented and submitted to the vote;
- AGA decisions are made by open vote, except for the appointment of the members of the Board of Supervisors and the financial auditor for whom the secret vote is mandatory;



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

Shareholders have non-patrimonial rights (right to attend in general shareholders' meetings, voting rights, right of information) and patrimonial rights (right to dividend and right to dispose of shares).

11. Conclusions and proposal for profit sharing of the company

In 2018, the company carried on its activity in accordance with the provisions of the Articles of Incorporation, of AGA decisions, B.V.C., in compliance with the legislation in force regarding the organization and reflection in the accounting of the specific activity, as well as of the capital market regulations.

At the end of 2018 the Company records a net profit of 9,823,215 lei, which the Directorate proposes to be distributed as follows:

1. At the legal reserve according to art. 183 from the Law 31/1990 of the commercial companies, republished	565.153,00 lei
2. Distribution to other reserves	4.348.566,52 lei
3. Dividend distribution to shareholders (gross dividend / share = 0,00848 lei)	4.909.495,48 lei

**Narcisa MOȘOIU
GENERAL MANAGER/CHAIRMAN OF THE BOARD**

**Constantin STĂNESCU
TECHNICAL MANAGER/ VICE-CHAIRMAN OF THE BOARD**

**Mircea CRISTIAN
ECONOMIC MANAGER/MEMBER OF THE BOARD**



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The undersigned, **VIG Corina-Luiza**, authorized translator by the Ministry of Justice in Romania with the authorization no. **32809/2011**, hereby certify the authenticity of this translation with the text of the document in **Romanian** language that has been seen by me.

Authorized interpreter - translator,
VIG CORINA-LUIZA

