

LOGO: T.H.R. Marea Neagra

Logo: illegible

The report of the administration board of SC THR Marea Neagra SA associated with the individual financial situations established for 2014

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

For the financial year: **2014**

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

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

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

Unique registration code in the Registry of Commerce: 2980547

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

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

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

The main characteristics of the transferable shares emitted by the commercial company: registered, ordinary, dematerialized and indivisible shares with a registered value of 0.1 lei/share

## 1. **The analysis of the activity of the commercial company**

### 1.1.

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

The main activity of the company according to the classification is code CAEN 5510 – “Hotels” – precisely service provision for accommodation, public catering, balneary treatment and touristic recreation. The activity is developing through their own working stations, registered and classified according to the active legislative acts, having all the authorizations of functioning demanded by the active Law.

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

The commercial company was founded on 05.03.1991, named S.C. Eforic S.A..

The company has changed its name from Eforic S.A. to THR Marea Neagra S.A. in 2005 according to the authorized judge's Closing at the Commercial Register Office Constanta no



10.687/ 24.01.2005 and in 2011, the company has moved its headquarters in Mangalia, Lavrion Street no 29, Constanta county.

c) Description of the significant mergers or reorganizations

In 2014 there were no mergers or reorganizations.

d) Description of the active purchases and/or alienations

The company was built through the transformation of the state owned enterprises in commercial companies, having a capital formed through the equity in kind with assets represented by the hotelier units territorially disposed in the touristic resorts on the sea-coast, given for use during 1968-1972, as well as the nationalized hotelier units.

Given the age of the assets and the large volume of necessary investments for their maintenance in the touristic circuit, the company has started according to the share-holders' decision a strategy of restructuring and development.

In 2014, according to the restructuring strategy, the company has continued the asset sale, but also the modernization of some assets approved for maintaining in the patrimony. The assets alienated through sale in 2014 are:

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

The sums received from the asset sale have been used exclusively for finalizing the investing plan, together with the rest of the financial sources: owned and brought in.

1.1.1. **Elements of general evaluation:**

- a) Gross profit: **7,660,696 lei;**
- b) Total income: **48,084,609 lei** from which:  
Turnover: **29,559,945 lei**
- c) Export : not the case
- d) Total costs: **40,403,499 lei** from which:
- e) % from the owned market : **12.80 %** from the local touristic market
- f) Available in the account : **11,379,728 lei;**

The company is active through its working stations situated in the touristic resorts of national interest Eforie Nord, Eforie Sud, Neptun, Venus and Saturn being one of the main companies on this profile from the country.

Also, the company has as components hotelier units situated on the market with good positions consolidated nationally, some of them having a rising European market.

The activity has a pronounced seasonal character, being tied to the area's seasonal activity, which is the Romanian Black Sea coast.

To attenuate the seasonal character, the company has oriented its investing programme towards developing its own capacity of medical service provision of balneary treatment by using the specific treatment natural factors, currently having 4 treatment units within the Hotelier Complexes "Hora", "Balada", "Sirena" – Saturn and the "Bran-Brad-Bega" Hotelier Complex from Eforie Nord, the last one functioning from 2012. In 2014 we have finalized the extension work of the treatment unit from the "Bran-Brad-Bega" Hotelier Complex from Eforie Nord.

The operational activity brings in incomes that lead to a positive economical – financial result, capable of ensuring coverage for all the exploitation costs, but also profit used mainly for financing the investing programs.

The seasonal character of income production implies the temporary financing of the activities from brought in resources, bank credits that are returned gradually after accomplishing the incomes associated with the current financial year.

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

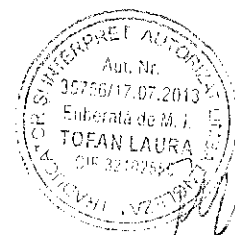
Description of the main products made or/and provisioned services with the addition:

a) The main sales market for every service and distribution procedure

In 2014, THR Marea Neagra SA has exploited in direct administration a number of 7 836 accommodation places and 13 291 places for public catering, situated in the touristic resorts from the Romanian Black Sea coast in unit classified in the category 2\*\*, 3\*\* and 4\*\*.

The main products are service packages for accommodation, public catering, balneary treatment, recreation (spa, swimming pools, cold baths with mud, artistic shows).

The touristic programs are promoted through specific milieus both on the internal market as on the external one, the main partners being the tourism agencies, like Paradis, Creative Eye, Eximtur, Bibi Touring, Inter-Tour, Mareea, Transilvania Travel, Dimm Travel, Perfect Tour ( 43,52 % from the touristic circulation) and the National House of Public Pensions for the balneary treatment products (42.40 %) and other partners specialized on segments for holiday organization, business, referrals to balneary recovery.



An important milieu of distribution is online sale through the specialized sites, but also through our own sale site, milieus with a rapid rising in the recent years and with a great increase potential and subscription of market positions.

Direct sales at the receptions of the hotels especially on the weekends, have a significant share of the sales, the company being organized to receive and to solve the demands for the optimal coverage of its own capacity of service provision.

The touristic product of the main accommodation facilities is also distributed on the external market based on the agreements closed with the external partners – on the European market, the main external partner being Thomas Cook – the second world tour-operator who distributes the touristic product in Germany, The Netherlands, Poland. On the Romanian market of this partner SC THR Marea Neagra SA owns more than a half the market share, with an increasing evolution for the future.

b) The share of the main service categories in the total income:

Indicators	Accomplished(lei)			Shares in the total income (%)			Shares in the market share (%)		
	2012	2013	2014	2012	2013	2014	2012	2013	2014
Total income	44,329,380	34,470,857	48,084,608	100.00	100.00	100.00			
Turnover out of which:	30,367,947	28,157,727	29,559,945	68.51	68.51	61.47	100.00	100.00	100.00
- Accommodation	15,729,114	15,021,252	17,231,591	35.48	35.48	35.84	51.80	53.35	58.29
- Meal	10,397,667	9,361,993	8,731,786	23.46	23.46	18.16	34.24	33.25	29.54
- Rents	379,817	315,110	367,410	0.86	0.86	0.76	1.25	1.12	1.24
-Other incomes within the turnover	3,861,350	3,459,371	3,229,158	8.71	8.71	6.72	12.72	12.29	10.92

The total income includes besides the turnover other incomes, mainly incomes from the immobilizations production (investments made by ourselves) and incomes from share sales. The incomes from share sales have increased in 2014, that is why the balance of the turnover on incomes has decreased in the analyzed period from 68-84% to 63.19 % in 2014. Within the turnover the biggest share is made out of incomes coming from accommodation and public catering. In the analyzed period, the share of these two categories has varied, the cumulated incomes from accommodation and public catering representing approximately 88% from the turnover.

Analyzing the turnover we can see an increasing development, the incomes from accommodation having a variation of 13% in comparison with the anterior year and the increase of the associated share have increased from 53.35% in

2013 to 58.29% in this year , enhancement accomplished both by increase in absolute value and by the decrease of the incomes from public catering that have dropped with 7% compared to 2013, the incomes from public catering recording a recessive trend, with a share of 29.54% compared to 33.25% from the anterior year.

The decrease of the incomes from public catering is recorded in the internal tourism agencies distribution milieu due to the increase of the touristic circulation on this milieu with 33.69%, motivated by the market's demand, precisely the fact that clients have bought touristic packages with included breakfast or without any meal services. This decrease has external causes based on the decrease of the buying power and on one hand, on the fact that the competing market practices dumping prices through fiscal law elusion. On the other hand another cause are the supermarkets positioned nearby.

c) New products taken into consideration and their state of development

Having as priority the enhancement of the usage degree of the capacity and of the usage period, the investment programs of the company are oriented towards the balneary tourism through the development of the existing capacities. To accomplish this, the investment plan comprises the need to accomplish the broadening of the treatment basis from the Hotelier Complex "Bran-Brad-Bega" by founding a section of modern hydrotherapy that has been released in 2014. On the other hand the company has as priority the modernization of the existing capacities and this is why in the investment plan the company established a purpose from the complete modernization of 106 rooms from the Narcis Complex and their release during this year, as well as other modernization work and facilities meant to ensure comfort as mentioned in the legal acts for the classification of the accommodation units and public catering.

1.1.3. The evaluation of the technical-material provision activity

The technical-material provision has been based mainly on inland sources of raw material and materials, with some exceptions; precisely for investment we have resorted to import sources.

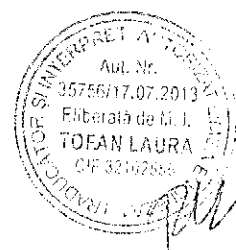
The company has implemented an integrated management system for the food's quality-environment-safety (SR EN ISO 9011:2008, SR EN ISO 14001:2005 and SR EN ISO 22000:2005) which also covers the provision area, specific operational procedures being implemented.

There have been purchases from traditional suppliers, producers and direct importers, large companies, with accreditation on those materials, certified ISO, according to the European norms and standards.

The suppliers are selected by a selection committee, according to some established criteria and a score, which mainly reflects the quality/quantity balance.

Towards the safety of the provision sources, we point out that all the purchased raw material is accompanied by conformity certificates, guarantee certificates and technical cards.

The stocks of raw materials and materials are at a minimum taking into consideration the extra-seasonal period.



1.1.4. The evaluation of the sale activity

a) The description of the sale evolution sequentially on the internal and external market and of the sales perspectives on medium and long term

The company has developed its activity mainly based on the touristic service provision contract closed with the touristic agencies, National House of Public Pensions (treatment contract), external tourism, other beneficiaries, on-line sales. In 2014, compared with the BVC and the accomplishments of the anterior year, the touristic circulation is as follows:

days-tourist

Month	Treatment	Agencies	Foreigners	Own account	Other beneficiaries	On-line	TOTAL
<b>Accomplished at 31 Dec 2014</b>	<b>161.883</b>	<b>149.897</b>	<b>16.268</b>	<b>20.133</b>	<b>25.465</b>	<b>8.185</b>	<b>381.831</b>
<b>BVC 2014</b>	161.120	162.006	18.658	32.413	26.711	12.886	413.794
<b>Differences: accomplished 2014-BVC 2014</b>	763	-12.109	-2.390	-12.280	-1.246	-4.701	-31.963
<b>Accomplished percentage 2014/BVC 2014</b>	<b>100,47%</b>	<b>92,53%</b>	<b>87,19%</b>	<b>62,11%</b>	<b>95,34%</b>	<b>63,52%</b>	<b>92,28%</b>
Accomplished at 31 Dec 2013	172.212	121.176	18.658	28.489	21.257	10.706	372.498
<b>Differences: accomplished 2014-accomplished 2013</b>	-10.329	28.721	-2.390	-8.356	4.208	-2.521	9.333
<b>Accomplished percentage 2014/accomplished 2013</b>	<b>94,00%</b>	<b>123,70%</b>	<b>87,19%</b>	<b>70,67%</b>	<b>119,80%</b>	<b>76,45%</b>	<b>102,51%</b>
<b>BVC Percentage 2014/Accomplished 2013</b>	<b>93,56%</b>	<b>133,69%</b>	<b>100,00%</b>	<b>113,77%</b>	<b>125,66%</b>	<b>120,36%</b>	<b>111,09%</b>
<b>Differences BVC 2014-Accomplished 2013</b>	<b>-11.092</b>	<b>40.830</b>	<b>0</b>	<b>3.924</b>	<b>5.454</b>	<b>2.180</b>	<b>41.296</b>
<b>Shares in the structure of 2014</b>	<b>42,40</b>	<b>39,26</b>	<b>4,26</b>	<b>5,27</b>	<b>6,67</b>	<b>2,14</b>	<b>100</b>

Month	Treatment	Agencies	Foreigners	Own account	Other beneficiaries	On-line	TOTAL
Shares in the structure of 2013	46,23	32,53	5,01	7,65	5,71	2,87	100

In 2014 the touristic circulation was situated at 92.98% compared with the budget anticipation and at 102.51% compared with the one accomplished in 2013, and this happened while the budget anticipation was of 111.09% compared with the anterior year.

The touristic circulation expressed in days-tourist is of 381 831 compared with 413 794 budgeted, with a minus of 31 963, respectively a degree of accomplishment of the budget anticipation of 92.28%.

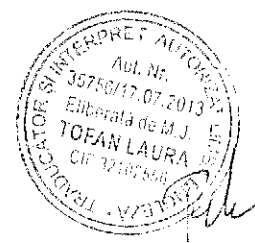
Analyzing the touristic circulation in its structure, on the main partners, there is recorded a decrease of the CNPP share from 46.23% in 2013 to 42.40% in 2014, comedown due to the rise of the share of the internal tourism made by agencies from 32.53% in 2013 to 39.26% in 2014.

Decreases of share are recorded also on the other distribution channels, that of foreign tourists from 5.01% to 4.26%, our own account from 7.65% to 5.27% and online from 2.87% to 2.14%, due to the measures of accession of the CNPP agreement and the increase of the touristic agencies harness.

Another indicator of the touristic circulation, the number of tourists, has recorded a similar evolution with that of days-tourist, both inclusive and in structure on partners, and the medium stay has recorded a slight rise in the case of the forwarding by other beneficiaries and on our own account. The drop of the treatment stay period is due to the stay modification from 18 days to 16 days appointed by the CNPP.

Number of  
tourists

Explanations	Treatment	Agencies	Foreigners	Own account	Other beneficiaries	Online	TOTAL
Number of tourists 2014	10,160	25,964	1,793	6,349	4,248	2,173	50,687
Number of tourists 2013	9,614	21,140	2,002	9,820	3,997	2,909	49,482
Differences	546	4,824	-209	-3,471	251	-736	1,205



2014/2013							
% 2014/2013	105.68%	122.82%	89.56%	64.65%	106.28%	74.70%	102.44%
% 2013/ Partners	19.43%	42.72%	4.05%	19.85%	8.08%	5.88%	100%
% 2014/ Partners	20.04%	51.22%	3.54%	12.53%	8.38%	4.29%	100%

Medium stay

Explanations	Treatment	Agencies	Foreigners	Own account	Other beneficiaries	Online	TOTAL
Medium stay 2014	16.00	5.77	9.07	3.17	6.00	3.76	7.53
Medium stay 2013	18.00	5.73	8.71	2.90	5.31	3.68	7. .
Differences 2014/2013	-2.00	0.04	0.36	0.27	0.69	0.08	0.11

In 2014, the medium take-up has risen from 59.10%, superior to that recorded in 2013, of 55.21%.

The analysis of the touristic circulation on the main partners is as follows:

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

In 2014, with treatment we accomplished 161 883 days-tourist compared to the 161 120 budgeted days-tourist and the 172 212 days-tourist accomplished in 2013, with an accomplishment of 100.47% of the budget anticipation.

We have carefully observed the performance of this contract and we have carried on measures for its total accomplishment compared with the budget anticipation. Due to the fact that no budgeted places were allotted to the Brad-Brad-Bega Hotelier Complex, we recorded a deficit of 18 000 days-tourist between 03.04-07.07.2014. The agreement was carried on 3 months later due to the long contestation period, which determined the fact that in season at the Brad-Brad-Bega Hotelier Complex we couldn't supplement the agreement.

The accomplishment of the touristic circulation on a total CNPP is owed to the supplementations made in the hotels in Saturn resort.

### 2. The contracts with the tour-operator touristic agencies



In 2014, THR has closed direct contracts with the biggest tour-operators which have resale networks.

In the internal tourism there were 149 897 days-tourist compared to 162 006 days-tourist estimated by the budget and 121 176 days-tourist accomplished in 2013, which determined an increase with 28 721 days-tourist, respectively 23.70% compared with 2013, and accomplishment of the budget anticipation of 92.53% and that when the budget increase was of 33.69% compared to 2013.

Through the change in the tariff and contract politics we created incentive conditions for the tour-operator agencies:

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

Through the sale stimulation we launched various special offers as follows:

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

Also we enrolled in the national programs launched by the FPTR and OPTBR, “Sea coast for all”, “The balneary decade”, “A week to recover”, “Come to the thermae”.

On the external tourism component we accomplished 16 268 days-tourist compared to the budgeted 18 658 days-tourist and the ones accomplished in 2013, with a degree of accomplishment of 87.19% due to the general fall of the external touristic circulation at the sea coast.

### 3. Contracts with other beneficiaries



As well as in other years, in 2014 we closed contracts with traditional partners through which there were brought in 25 465 days-tourist compared to the budgeted 26 711 days-tourist and the 21 257 days-tourist accomplished in 2013, which represents 95.34 % compared with the budget anticipation and superior to that accomplished in the anterior season (119.80%).

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

Due to the fact that the hotels have been included in contracts and exploited by tourists who came with CNPP tickets through the contract supplementation, together with the rise of the touristic circulation on the touristic agencies segment, we accomplished 28 318 days-tourist compared to the 45 299 budgeted days-tourist and to the 39 195 days-tourist from 2013, the un-accomplishment being mainly due to the lack of availability in the peak of the season, when the demand could not be met.

In the following years we will take into consideration adapting the tariff and contract politics to the demands of the market, creating incentive conditions for the tour-operator agencies, volume discounts allotting, facilities for families with children, early-booking politics. The sales fees have been discussed with the agencies, as well as conceding fees for the sales stimulation and the institution of advantages for the selling product, especially the public catering products, where in the anterior year we have recorded a significant drop compared to the anterior years. We take into consideration the development of the special offers meant to ensure an increase of the touristic circulation, as well as the permanent adjustment of the touristic product to the evolution of the market.

#### *b) Description of the competing situation, of the share on the services market and of the main competitors*

The company is doing its activity in an area where the main activity is the company's activity, respectively accommodation services provision, public catering, recreation, the main interest being the beach and the quality of the bathing water from the Black Sea, as well as the curative qualities of the main natural resources for balneary cure, the vegetable slime from Techirghiol, the water from lake Techirghiol, the mezothermal sulphureous water, the sea water and the marine aerosols.

The area has the greatest concentration of touristic capacities, representing more than half from the national accommodation capacity, which creates a very competitive climate, but also inter-determination, individual development determining increase of the area's interest, which determined the organization of companies in associations which establish common goals and partnerships with the local authorities.

The real competition is represented by the external market with similar products, the tariff politics making the difference, identifying in this sense the Bulgarian market as competitor.

The Bulgarian market has as advantage the slightly decreased level of tariffs associated with a market laid-down on other price levels, a lower taxation especially for the VTA of 9% both for accommodation as for public catering compared with 24% in our country.

In 2015 the fiscal politics was attenuated, respectively the VTA for public catering, this modification of the fiscal politics will determine an increase for the interest for the touristic packages of the Romanian sea coast, with an adequate increase of the touristic circulation and of incomes.

The Company has an important share on the market of approximately 12.80% being strongly pegged in the personalized products market both internally as externally owning over 50% from the Romanian market of the biggest external tour-operator from the Romanian market, Thomas Cook, the world's second tourism operator.

*c) Description of any significant bondage of the company related to a client or related to a group of clients the losing of which could have a negative impact on the company's incomes*

The THR products have a national area of distribution, being available on all the channels of distribution (touristic agencies, sites, direct sales etc.). Consequently, the loss of a partner will not significantly affect the touristic product.

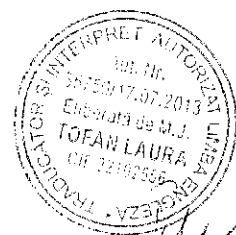
An important share is represented by the National House of Public Pensions. Considering the fact that this partner's public acquisitions are done for pensioners from the public sector, the non-acquiring by the House of these services does not cancel the consumer demand. Health care being a necessary and continuous process, the product will be laid-out on other distribution channels, in such a way that the consumer will be able to acquire the necessary product.

Connected with the fact that our product of balneary treatment is personalized, known and experimented on the market, we will not encounter major difficulties, with negative impact on the incomes in the case that one of our main partners draws back from the market.

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

a) Related to the human resources in 2014, compared with 2013, the evolution of the personnel was as follows:

<b>No.</b>	<b>Indicator</b>	<b>Medium no in 2013</b>	<b>Medium no in 2014</b>	<b>No. at 31.12.2014</b>
1	No of permanent personnel from which:	130	125	124
a	TESA Personnel	43	43	43
b	Operative Personnel	87	82	81
2	No of Seasonal personnel	239	204	29
3	<b>Total personnel</b>	<b>369</b>	<b>329</b>	<b>153</b>



Compared with 2013 we observe a drop in the minimum number of personnel with 9.75% due to the externality of the security services by the introduction of a monitoring system of the assets from the property.

The dynamical situation of the gross wages compared with the accomplished incomes is as follows:

No.	Indicator	2013	2014	%
1	Gross wage expenses(lei)	5.112.635	5.024.112	98,27
2	Medium number of employees	369	329	89,16
3	Work productivity(lei/employee)	76.308	89.848	117,74
4	Medium gross wage accomplished(lei)	1.155,62	1.274,00	110,25
5	National Medium gross wage	2.223	2.298	103,38
6	National Minimum gross wage(lei)	800	900	112,50

The gross wage expenses had an evolution proportional with the degree of accomplishment of the incomes from the basic activity, a similar evolution having also the indicator medium number of employees, with a more evident drop determined by the introduction of the centralized system of monitoring of the property's assets, the work productivity had a rise of 17.74%. The indicator medium gross wage registered an increase of 10.25 %, mainly due to the increase of the national minimum wage given the large share of employees who are distributed on this level.

From the comparison between the accomplished gross wage in the company and the national medium wage, respectively 1 274 lei compared to 2 298 lei we notice that the medium gross wage accomplished in the company is a lot under the national medium, representing 55%, motivated on one side by the structure of the personnel, those with low wages having a share, and on the other the seasonal character of the activity which determines reduces possibilities of payment.

- b) The rapport between the manager and the employees is based on communication, involvement and team spirit, the rules and working procedures established through the internal regulations being respected, as well as the job description, without any conflicting elements, these being regulated by the collective contract of employment and by individual contracts of employment.

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

The main activity of T.H.R. Marea Neagra SA is developed respecting the active Law concerning the environmental protection demands, all the authorizations necessary for every type of activity and for every working station being obtained.

The company has identified all the its activities which have a probable impact on the environment and they were readjusted according to the environmental standards SR EN ISO 14001:2005 through our own procedures.

Currently there are no litigations concerning breaking of the active Law for environment protection nor are they envisioned.

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

The company permanently searches solutions for expense abridgement, but also for attraction of new tourists. The company has implemented alternative solutions to produce electrical energy, respectively caloric energy for warm waste-water preparation with solar energy, a solution which is currently in expansion. Concurrently our company is currently implementing an computer system for all the accommodation and public catering units which it owns together with the computer systems of the main partners (The National house of Public Pensions, the tour-operator agencies), so that we obtain in real time data concerning the harness of the touristic packages and their re-allotment depending on the demand as well as the re-configuration of the tariff and sale politics.

In 2014, the company has carried on significant investments with a value of **8 848 166 lei**, from which the most important were: finalizing the hydrotherapy section from the Treatment Base of the Bran-Brad-Bega Complex, finalizing the modernization of Prahova Hotel, the modernization of 66 bathrooms from the Aida Hotel, the modernization of the door from Balada Hotel, hydro- insulation work, work for the deflection of the sea water pipes, facilities and specific equipment.

The investments have been carried on related to the following objectives:

No.	Investment Objectives	Accomplished at 31.12,2014(lei)
1	Expansion of the Treatment Base of the Bran-Brad-Bega Complex	3,159,745
2	Modernization of Prahova Hotel – work on the sanitary installations and furniture	2,580,464
3	Other modernizations in hotelier complexes	1.993.909
7	IT Equipment + soft	271,826
8	Other facilities and work according to the nature of the investment	842,222
	<b>Total investment without VTA</b>	<b>8,848,166</b>
	<b>VTA</b>	<b>1,748,093</b>



	<b>Total investment</b>	<b>10,596,259</b>
--	-------------------------	-------------------

For finalizing the investments we used the following own sources of financing:

Explanation	Value (lei)
Cash-flow generated by the share sales with the total/partial payment, after paying the profit tax	4.578.405
Attenuation	6.017.854
<b>Own sources of financing</b>	<b>10.596.259</b>

The sums collected from the share sales were used exclusively to finance the company's investments.

The first priority was the modernization of the accommodation and public catering capacities.

The second priority was related to the operating cost abridgement through the modernization of the boilers (including the usage of the solar panels), the modernization of the laundry which is used by the entire company, but also the computerization of the accommodation and public catering units, through the implementation of the integrated system of hotelier and restaurant inventory.

The third priority was related to the expansion and modernization of the treatment base, which allowed us to increase the share of the treatment tourism in the sold services.

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

The management of the company has ensured and ensures a prudent liquidity risk management, permanently observing ensuring sufficient cash, so that it bears up to the payment of the due charges on time.

The specific of the developed activity determines expose of the company to a variety of risks with a general character, but also risks specific to the activity and to the financial market that it operates. The risk is defined as the possibility to record unfavorable deviations in results compared to the expected level, due to some accidental fluctuations. The significant risks represent the risks with a major impact on the patrimonial and/or reputational situation of the company.

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

In the activity carried out the company can confront itself with uncontrollable risks which, in general, are associated with external factors like the macro-economic conditions, Law changes, changes related with the competing environment etc. But as a rule the company confronts itself with controllable risks for which it adopts active

administrative politics and procedures (analysis, monitoring and control). These risks are associated with internal factors like the nature of the activity, the complexity of the organizational structures, the quality of the personnel etc.

The main risks to which the company is exposed are:

- Exchange risk
- Interest rate risk
- Credit risk
- Liquidity risk
- Operational risk

#### The exchange risk

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

#### The interest rate risk

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

#### Credit risk

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

#### The liquidities risk

The liquidity is the capacity of the company to ensure the necessary capital for attending all its payment commitments direct or indirect, at a reasonable price in any moment. The liquidity risk is the actual or potential risk to which the profits and the capital of the company could be subjected after its impossibility of paying its commitments at the due date. The company has permanently tried to ensure a balance between its financial sources and its short term necessities that is why it permanently had liquidities to pay the financial commitments. The



company monthly compiles predictions of the cash-flow for periods which vary from 6 months to a year in order to detect in time a possible lack of liquidities and to take the associated measures.

#### The operational risk

The operational risk is defined as the risk of recording losses or not accomplishing the estimated profits due to the internal factors like the inadequate internal activity, the existence of inadequate personnel or system or due to some external factors like the economic conditions, changes on the capital market, technological progress. The operational risk is inherent to all the company's activities.

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

#### **1.1.9. Element of perspective concerning the activity of the commercial company**

One of the products with great potential of increase for the future is balneary tourism. The company's units are situated in resorts with natural cure factors. The company has identified this opportunity and has obtained the exploitation licenses for these natural resources, expanding its capacity of the treatment bases, so that we can yield to the demand for this type of services.

This segment of the balneary tourism will help us to attract tourists from abroad, especially from Europe. The European Directive no 24/2011 hands down a ruling for the rights of the patients within the cross-border medical care, ensuring the legal frame so that the rights of the European citizens are guaranteed to benefit from medical services in all the European Union countries. One of the main concerns of the company is to attract this segment of tourists.

Another development direction is the recreation tourism, which constitutes a priority for the company, having in the state of project the rearrangement of the surrounding environment, including the development of the recreation facilities. A major preoccupation is represented by the expansion of the distribution channels. The company is a continual search for new clients and consolidation of the relations with the market and its current clients.

## **2. The fixed assets of the commercial company**

### **2.1. The main accommodation and public catering capacities of the company, situated in the touristic circuit in 2014 were:**

- 2 hotels of 4\* with a capacity of 992 places for accommodation
- 7 hotels of 3\* with a capacity of 3 220 places for accommodation
- 14 hotels of 2\* with a capacity of 3 624 places for accommodation

#### **Public catering units**

- 2 restaurants of 4\* with a total capacity of 1 440 places



- 7 restaurants of 3\* with a total capacity of 3 855 places
- 13 restaurants of 2\* with a total capacity of 6 938 places
- a buffet of 2\* with a total capacity of 170 places
- 2 buffets of 1\* with a total capacity of 150 places
- 2 day bars of 4\* with a total capacity of 120 places
- 7 day bars of 3\* with a total capacity of 466 places
- 2 day bars of 2\* with a total capacity of 152 places

#### Recreation units

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

#### Balneary treatment units

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

In total, the company had in 2014 in the touristic circuit 7 836 accommodation places and 13 291 public catering places

Classif. Cat.	Eforie Nord		Eforie Sud		Neptun		Venus		Saturn		General total	
	units	cap	units	cap	units	cap	units	cap	units	cap	units	places
Hotels												
****	1	438	0	0	0	0	0	0	1	554	2	992
***	0	0	0	0	1	652	1	262	5	2306	7	3220
**	3	554	3	672	0	0	2	420	6	1978	14	3624
<b>Accommodation total</b>	<b>4</b>	<b>992</b>	<b>3</b>	<b>672</b>	<b>1</b>	<b>652</b>	<b>3</b>	<b>682</b>	<b>12</b>	<b>4838</b>	<b>23</b>	<b>7836</b>

Classif. Cat	Eforie Nord		Eforie Sud		Neptun		Venus		Saturn		General total	
	units	cap	units	cap	units	cap	units	cap	units	cap	units	places
<b>Restaurants</b>												
****	2	600	0	0	0	0	0	0	1	840	3	1440
***	0	0	0	0	1	770	0	0	6	3085	7	3855
**	1	900	2	828	0	0	3	1358	5	3852	11	6938
<b>Total Restaurants</b>	<b>3</b>	<b>1500</b>	<b>2</b>	<b>828</b>	<b>1</b>	<b>770</b>	<b>3</b>	<b>1358</b>	<b>12</b>	<b>7777</b>	<b>21</b>	<b>12233</b>



Classif. Cat	Eforie Nord		Eforie Sud		Neptun		Venus		Saturn		General total	
	units	cap	units	cap	units	cap	units	cap	units	cap	units	places
<b>Day bars</b>												
****	1	80	0	0	0	0	0	0	1	40	2	120
***	0	0	0	0	1	106	0	0	6	360	7	466
**	1	120	0	0	0	0	0	0	1	32	2	152
<b>Total day bars</b>	<b>2</b>	<b>200</b>	<b>0</b>	<b>0</b>	<b>1</b>	<b>106</b>	<b>0</b>	<b>0</b>	<b>8</b>	<b>432</b>	<b>11</b>	<b>738</b>
<b>Buffets</b>												
**	0	0	0	0	0	0	0	0	1	170	1	170
*	0	0	1	60	0	0	0	0	1	90	2	150
<b>Total buffets</b>	<b>0</b>	<b>0</b>	<b>1</b>	<b>60</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2</b>	<b>260</b>	<b>3</b>	<b>320</b>
<b>Public catering Total</b>	<b>5</b>	<b>1700</b>	<b>3</b>	<b>888</b>	<b>2</b>	<b>876</b>	<b>3</b>	<b>1358</b>	<b>22</b>	<b>8469</b>	<b>35</b>	<b>13291</b>

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

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

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

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

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

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

### **2.3. Definition for the potential problems concerning the property right over the fixed assets of the commercial company**

The main litigations bound to the property right of the company over the fixed assets, respectively fields, refer to:

- A field with a surface of 547 sqm – Lot 41 Saturn
- A field with a surface of 2.8 ha from Saturn
- A field with a surface of 417 sqm associated with Ancora Hotel
- Restaurant Venus field from Eforie Nord
- A field with a surface of 197 sqm associated with the Technical Office Eforie

In all these litigations, THR is part and has formulated actions for defense pending before the authorized court and the company carries on all the diligences for the defense of the patrimony's property right.

### **3. The market of the movable property emitted by the commercial company**

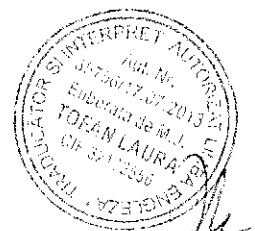
#### **3.1. Assignment of the Romanian market and those from other countries on which the movable assets emitted by the commercial company are negotiated**

It is a publicly owned company, according to the terminology mentioned in Law no 297/2004 concerning the capital market, being registered in the National Committee of Movable assets – the Movable Assets Inventory Office.

The shares of THR Marea Neagra SA are listed in category B of the Bucharest Stock Exchange beginning with 15<sup>th</sup> August 2002 having the symbol "EFO". In the last day of trading of 2014, 30.12.2014, at the closing of the Stock Exchange, the shares of THR Marea Neagra SA were rated at a value of 0.0588 lei/share, compared to 0.0631lei/share on 31.12.2013. During the year, Bucharest Stock Exchange closed its trading for a number of 12 849 346 shares (nearly half compared with the anterior year), the value of these transactions being of 761 387 lei, the traded part being on the 23 % segment owned by other stock-holders.

#### **3.2. Description of the commercial company's politics regarding dividends. Mentioning of the rightful/paid/cumulated dividends in the last 3 years and, if the case, of the reasons for the abridgement of the dividends over the last 3 years.**

In 2012, the General Meeting of the Shareholders has decided the distribution of the dividends with a total value of 1 042 109.89 lei, 0.0018 lei/share, the rest of the profit being used for the elaboration of the legal backup and backup for the company's development.



In 2013, the shareholders of the company have decided that the obtained profit be used for the special legal established allocations, and the rest of the net profit be at the company's convenience for investment financing.

For 2014 a proposal for dividend allocation will be made, dividends with a value of 2 026 325.00 lei, the rest of the profit being allotted for the construction of the legal backup and allocations for the company development fund.

### **3.3. Description of all the commercial company's actions for acquiring its own share**

The company never acquired its own shares.

### **3.4. In the case when the commercial company has branches, mention of the number and the cash value of the shares emitted by the parent company owned by branches.**

The company is the only shareholder at SC Balneoterapia Saturn SRL, being the only branch owned. Balneoterapia Saturn SRL does not own any share emitted by THR Marea Neagra SA.

### **3.4. In the case when the commercial company has emitted bonds and/or other debt security, the presentation of the way in which the commercial company pays its commitments towards the owners of such movable assets**

The company has not emitted bonds or other debt securities.

## **4. The management of the commercial company**

### **4.1. Presentation of the list of the commercial company's administrators and of the following information for every administrator:**

a) The company is administered by an Administration Board formed of three members appointed by the General Meeting of Shareholders. During 2014, the Administration Board was made up of:

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

All the members of the Board have been appointed at the proposal of the main shareholder S.I.F. Transilvania.

b) *Any agreement, alliance or family relation between the appointed administrator and another person due to who that person was appointed administrator*

Not the case

c) *The administrator's contribution to the commercial company's capital*

Mr. Lucian Ionescu, chair of the administration board owns 10.000 shares emitted by the company.

d) *List with the persons affiliated with the company;*

The persons affiliated with THR Marea Neagra SA are:

- SIF Transilvania SA company that owns 77,71 % of the shares emitted by THR Marea Neagra SA;
- Balneoterapia Saturn SRL company from which SC THR Marea Neagra SA owns 100% from the emitted shares.

**4.2. Presentation of the list with the members of the executive management of the commercial company. For each of them presenting the following information:**

The executive management is ensured by the General Manager, Mrs. Linica Stan.

a) *The period when the person is part of the executive management;*

The General Manager has closed with the company a contract according to the provisions of Law no 31/1990 concerning the commercial companies, contract that expires on 30.01.2015.

b) *Any agreement, alliance or family relation between that person and another person due to who that person was appointed member of the executive management;*

Not the case.

c) *That person's participation to the commercial company's capital.*

From the executive management, Mrs. Linica Stan owns 20 736 shares.

**4.3. For all the presented persons in 4.1. and 4.2. mentioning possible litigations or administrative procedures that they were involved in, in the past 5 years, concerning their activity within the emitter, as well as those that concern their capacity of accomplishing their attributions within the emitter.**

Not the case.

**5. Financial-accountancy situation**

In 2014, THR Marea Neagra SA had the accountancy organized according to OMF 881/2012 and OMF 1286/2012 for approval of the accountancy regulations within the International standards of financial report, applicable to the commercial companies whose assets are admissible for trading on a regulated market. Through these regulations, a ruling was handed down that the companies whose securities are rated on the regulated market, among which is THR Marea Neagra SA have the obligation to compile financial situations according to the legal acts aforementioned.

The financial situations were audited by S.C. A.B.A. Audit S.R.L. Timisoara.

The dynamical situation of the main categories of assets on 31.12.2014 compared with those from 2012 and 2013 are as follows:

lei



ASSET	Value at 31.12.2012 (lei)	Value at 31.12.2013 (lei)	Value at 31.12.2014 (lei)	Variation 2014/2013 (%)	Share 2014 in total assets (%)
Intangible assets	65,576	19,791	1,872	9.46	0.00
Fixed tangible assets	222,637,376	214,213,924	201,391,847	94.01	87.97
Real Property investments	1,654,202	3,109,159	3,351,613	107.80	1.46
Capital assets	2,000	2,000	2,000	100.00	0.00
<b>TOTAL FIXED ASSETS</b>	<b>224,359,154</b>	<b>217,344,874</b>	<b>204,747,332</b>	<b>94.20</b>	<b>89.44</b>
Stocks	1,260,752	1,239,024	929,254	75.00	0.41
Security Debts	11,490,200	11,213,048	4,487,101	40.02	1.96
Short-Term Investments	1,336	1,336	1,336	100.00	0.00
Cash availability	1,205,170	244,113	11,381,547	4,662.42	4.97
Assets owned for sale	492,709	11,437,218	7,350,672	64.27	3.21
Expenses in advance	25,410	42,462	34,954	82.32	0.02
<b>TOTAL MOVABLE ASSETS</b>	<b>14,475,576</b>	<b>24,177,201</b>	<b>24,184,863</b>	<b>100.03</b>	<b>10.56</b>
<b>TOTAL ASSETS</b>	<b>238,834,730</b>	<b>241,522,075</b>	<b>228,932,195</b>	<b>94.79</b>	<b>100.00</b>

Within the company's assets the biggest share is made out of the fixed assets (88.44%), especial fields and buildings, and the movable assets represent 10.56%.

On 31.12.2014, we notice a decrease of 5.80% compared with 2013 and of 8% compared to 2012, recording movable assets in total value of 204 747 332 lei, compared to 217 344 924 lei on 31.12.2013 and to 224 359 154 lei in 2012.

Analyzing in structure, the fixed assets represent 98% from the total real property assets, their decrease determining the drop of the total fixed assets. The sold of the fixed assets on 31.12.2014 was positively influenced by the entrance in patrimony of the investments developed in 2014 of approximately 19 747 000 lei and the exits from the patrimony from which the main ones being: the attenuation of the fixed ways associated with the fiscal year, asset sales (Nunta zamfirei , Sat Vacanta Dunarea , acces area Cocorul fields), the reclassifying of the fixed assets as assets owned through sale, like Alfa Hotel and Beta Hotel with the associated fields and the negative differences from the re-evaluation due to the just value depreciation.

The increase of the fixed assets is given by the value of the investments developed during 2014.

The international Standards of Fiscal Report (IFRS) impose the reclassifying of some assets depending to their use.

The assets classified as real property assets, for rental have been evaluated by an expert evaluator to determine and present the just value of the property when the financial situations were compiled. The increase of the just value reclassified assets as real property investments, was admitted in the profit and loss account.

At the movable assets we notice preservation at the same level compared with the anterior year.

In structure, the comparative analysis of the stocks associated to the active investments, they appear to be smaller than those of the anterior year, being proportional with the volume and the investment schedule associated with the current year.

Also, we notice a decrease of the assets owned for sale from the stock category from 11 437 218 lei in 2013 to 7 350 672 lei in 2014 due to the sale of Complexes Pajura, Cocorul and Balea Mansions, Lacul, Mara with the associated fields, the company reclassifying in 2014 in the category owned assets through sale Hotels Alfa and Beta with the associated fields.

The decrease of the stock comparative with the beginning of the year is determined by the use of the acquired stocks for investments. The security debts are mainly made out of the rates associated with the asset sale with rate payment (rates with a value of 2 331 581.71 lei which have due dates after 01.01.2015) and out of security debts towards the state budget represented by the VTA to recover of 1 537 227.10 lei (consequence to the investments and acquisitions effectuated, their decrease being due on one hand to the VTA recovery and on the other to reaching the due date of contracts of sale-purchase of assets with rate payment).

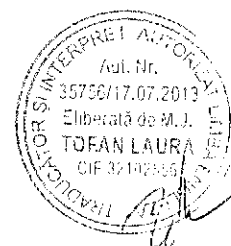
In 2011-2012, the company sold the portfolio of shares owned through sale, so that there is only one small package of shares unrated at the stock exchange.

The increase of the money availability in 2014 is explainable through the sale of the actives owned for sale accomplished in the IV semester.

In 2014, the liability post had the following evolution:

lei

<b>LIABILITY</b>	<b>Value at 31.12.2012 (lei)</b>	<b>Value at 31.12.2013 (lei)</b>	<b>Value at 31.12.2014 (lei)</b>	<b>Variation 2014/2013 (%)</b>	<b>Share in total liability (%)</b>
Authorized capital	57,894,994	57,894,994	57,894,994	100.00	25.29
Capital bonuses	1,895,814	1,895,814	1,895,814	100.00	0.83
Back up	14,611,664	16,589,616	17,573,064	105.93	7.68
Reevaluation differences	113,810,334	112,827,249	87,665,203	77.70	38.29
Post up result	41,084,182	42,067,267	52,025,871	123.67	22.73
Fiscal year result	3,154,284	714,345	5,794,927	811.22	2.53



Other elements similar to capitals	-11,576,216	-11,315,159	-10,858,900	95.97	-4.74
<b>TOTAL OWN CAPITALS</b>	<b>220,875,055</b>	<b>220,674,126</b>	<b>211,990,972</b>	<b>96.07</b>	<b>92.60</b>
<b>DEBTS ON LONG AND MEDIUM TERM</b>	<b>11,584,898</b>	<b>11,600,039</b>	<b>10,813,150</b>	<b>93.22</b>	<b>4.72</b>
<b>TOTAL DEBTS ON SHORT TERM</b>	<b>6,374,777</b>	<b>9,530,348</b>	<b>6,128,072</b>	<b>64.30</b>	<b>2.68</b>
<b>TOTAL LIABILITY</b>	<b>238,834,730</b>	<b>241,804,513</b>	<b>228,932,195</b>	<b>94.68</b>	<b>100.00</b>

Within the liability elements, the biggest share is made out of our own capitals (approximately 92.60%), the authorized capital being of 25.29% from the total liabilities of the company, the differences from the reevaluation 38.29% and the other elements from the reevaluation are reflected in the company's liability due to applying the standards of financial report.

There were no modifications in the authorized capital and capital bonuses, the legal back up was increased by allotting the profit of the exercise. The differences from the reevaluation were reduced in 2014 due to the asset sale and to the reclassifying of the real property assets at their just value.

We mention that the reevaluation effectuated after 01.01.2004 (date when the Fiscal Code became active) are not fiscally admitted as elements similar to the incomes proportional to the attenuation of the fixed assets and their exit from property. Due to this situation the temporary differences between the accounting value and the fiscal one, IAS 12 imposes the calculation of a tax on delayed profit, which decreases the value of our own capital (comprised in the aforementioned table in the elements similar to capital rubric) and they are added to the debt.

The reported result increases compared to the anterior year mainly due to the relocation of the excess accomplished associated with the assets sold through patrimonial reevaluation.

The long term debts mainly come from the delayed profit tax with a value of 10 813 150 lei. This tax is not liable, following to be admitted as payable debt, proportional with the fixed assets attenuation or to their exit from the patrimony.

The short term debts are made out of commercial, wage related, fiscal debts or debts of another nature, with due dates after 01.01.2015, the company having no residual debts.





As regards the nature of the activity that generated profit in 2014, we can identify two large categories of activities: the basic activity of the company which ensured 20.60% from the accomplished incomes and the activity of assets sale according to the strategy approved by the General Meeting of the Stockholders of the company's restructuring, which represents 79.40% from the company's incomes. Based on the two components of the company's activity, the incomes and the expenses are as follows:

lei

<b>Indicator</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>Coefficient 2014 / 2013 (%)</b>
Incomes from the basic activity	32,349,658	32,529,536	32,419,153	99.66
Expenses in the basic activity	31,925,000	32,262,755	30,837,120	95.58
<b>Gross profit from the basic activity</b>	<b>424,658</b>	<b>266,781</b>	<b>1,582,033</b>	<b>593.01</b>
Incomes from asset sales	11,979,723	1,941,321	15,665,455	806.95
Expenses with asset sales	8,174,984	1,237,320	9,566,378	773.15
<b>Gross profit from asset sale</b>	<b>3,804,739</b>	<b>704,001</b>	<b>6,099,077</b>	<b>866.34</b>
Total income	44,329,380	34,470,857	48,084,608	139.49
Total expenses	40,099,984	33,500,075	40,403,499	120.61
<b>Gross profit</b>	<b>4,229,397</b>	<b>970,782</b>	<b>7,681,109</b>	<b>791.23</b>
Profit tax	1,075,113	256,437	1,886,183	735.53
<b>Net profit</b>	<b>3,154,284</b>	<b>714,345</b>	<b>5,794,926</b>	<b>811.22</b>

The basic activity generated a profit of 1 582 033 lei, and the asset sale activity generated a gross profit from fixed assets and movable assets of 6 099 077 lei.

In comparison with the budget anticipations and to the accomplishments from the anterior year, the chapters on income and expenses associated with the two main activities of the companies are as follows:

lei

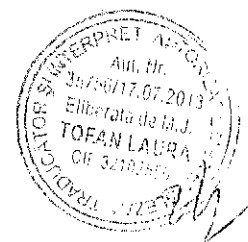
Indicator	2013	BVC	2014	Coefficient 2014 / 2013 (%)	Coefficient t 2014 / BVC (%)
Incomes from the basic activity	32,529,536	34,357,932	32,419,153	99.66	94.36
Expenses in the basic activity	32,262,754	33,600,555	30,837,120	95.58	91.78
<b>Gross profit from the basic activity</b>	<b>266,782</b>	<b>757,377</b>	<b>1,582,033</b>	<b>593.01</b>	<b>208.88</b>
Incomes from asset sales	1,941,321	7,296,000	15,665,455	806.95	214.71
Expenses with asset sales	1,237,320	3,327,238	9,566,378	773.15	287.52
<b>Gross profit from asset sale</b>	<b>704,000</b>	<b>3,968,762</b>	<b>6,099,077</b>	<b>866.35</b>	<b>153.68</b>
Total income	34,470,857	41,653,932	48,084,608	139.49	115.44
Total expenses	33,500,075	36,927,793	40,403,499	120.61	109.41
<b>Gross profit</b>	<b>970,782</b>	<b>4,726,139</b>	<b>7,681,109</b>	<b>791.23</b>	<b>162.52</b>
Profit tax	256,437	1,269,858	1,886,183	735.53	148.53
<b>Net profit</b>	<b>714,345</b>	<b>3,456,281</b>	<b>5,794,926</b>	<b>811.22</b>	<b>167.66</b>

As one can notice, the company has accomplished the incomes and the expenses associated with the basic activity at the level anticipated by the BVC, accomplishing a profit from the basic activity in a proportion of 208.88% compared to the budget anticipations. At the asset sale, the degree of accomplishment of the profit was of 153.68% and it is owed mainly to the sale of some assets in December 2014.

In conclusion, at the end of 2014, THR Marea Neagra SA has recorded a gross profit of 7 681 109 lei, at the level of 162.52% from the gross profit anticipated by the Income and Expenses Budget approved by the AGA. This profit corresponds to a net profit of 5 794 927 lei compared to 3 456 281 lei that was established in the Income and Expenses Budget, with a profit rate of 15.97%.

### The financing of the activity

In 2014, S.C. THR Marea Neagra S.A. Has financed its activity by using its own sources of financing, as well as by contracting two lines of credit with a total value of 16 292 000 lei and an investment credit of 1 000 000 lei, which



were integrally covered by the end of the year. The lines of credit were used to finance the activity and the investment work effectuated in the first semester of 2014.

Regarding paying the commitments, the company has no residual debts, the payments being made before the due date scheduled by the contracts, respectively at legal terms for paying debts towards the state budget.

## **6. The corporate governance**

The Administration Board has met on a monthly basis in meetings, according to the provisions of Law 31/1990 republished and any time it was needed, its attributions being mentioned in the Constitutive Deed.

The Administration Board has monitored the operational and financial performances of the executive management through the indicators and the performance criteria established by the Income and Expenses Budget and by other approved programs.

During 2014 the administrators' activity was focused on accomplishing the object of activity of the company according to the decisions of the AGA, the legal provisions and the provisions of the Constitutive Deed.

One of the constant priorities of the administrators was the increase of the sales through the development of the sale compartment, identifying new customers and keeping the traditional ones. Also, they were concerned with the improvement of the promotion politics for the touristic products, by launching special offers and customized offers for specific categories of tourists. Also, the Administration Board was concerned with the asset sale approving the minimum prices and the sale conditions for these assets. The company has actively searched potential clients, has organized public auctions and has carried out adequate advertisement for these type of trades.

One of the objectives of the Administration board is to tabulate all the real property of the company. In 2014, this process was accelerated, and so in the end of the year, the tabulated fields represented 98.52% from the total surface of the fields from the company's property and we estimate that in 2015, all the fields and the buildings of the company will be tabulated.

The company's litigations are systematically monitored by the Administration Board, so that every board meeting had on its schedule at least one point referring to the main litigations of the company. The administration board has analyzed the options which the company has in these cases and, where it was required, it hired lawyer offices specialized in these litigations. Within the company there are two committees with the following compositions:

- 1) The audit committee : Lucian Ionescu and Prescure Titus
- 2) The payment committee : Prescure Titus and Butoi Nicolae

The company is administered in unitary system, the executive management of the company being ensured by Mrs. Linica Stan as General Manager. The attributions of the General Manager are clearly established in the mandate contract closed with the company. Within the company there is implemented an internal system of control, working

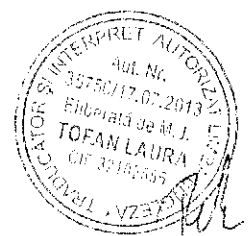
procedures being established for the main activities. The internal control is ensured at all the levels, an office of internal financial control and inventory being organized within the company. The internal audit activity was externalized; in this sense a contract with S.C. MAN-CO S.R.L. Bucharest was closed. The internal audit is in direct subordination to the Administration Board. The company did not adhere to a Code of Corporate Governance, our own code being approved in the imminent future.

The accountancy reports of the company are compiled by the accountancy office and are checked by the head accountant of the company. After checking, the financial reports are transmitted for approved by the general manager and the Administration Board. The company registers at 31.12.2014 an authorized capital of 57 894 993.9 lei, subscribed and paid capital, representing a number of 578 949 939 nominative, ordinary, dematerialized and indivisible shares with a nominal value of 0.1 lei/share. The company thus follows the provisions of article 10 from Law 31/1990 concerning the commercial companies, concerning the minimum authorized capital for joint-stock companies. All the shares can be freely traded at the Bucharest Stock Exchange, without limitations concerning owning securities, the necessity of the emitter's approval or any approval from other movable assets owners. The company never purchased its own shares. In 2014 the authorized capital wasn't modified, the structure of the stockholders on 31.12.2014, communicated by the Depozitarul central SA through the address no 1149/13.01.2015 is the following:

Stockholders	%	No of shares	Capital value (lei)
SIF Transilvania S.A.	77,71%	449.920.140	44.992.014,00
A.V.A.S.	0,09%	516.915	51.691,50
Other stockholders legal persons	14,35%	83.098.239	8.409.823,90
Other stockholders natural persons	7,85%	45.414.645	4.541.464,50
<b>TOTAL</b>	<b>100,00%</b>	<b>578 .949. 939</b>	<b>57 .894 .993,90</b>

The company does not have networks to grant shares to the employees and there are no restrictions concerning the right to vote. Also, it has no knowledge about agreements between the stockholders that can have as a result restrictions concerning the transfer of the movable assets and/ or of the right to vote.

The appointment or replacements of the members of the administrative committee, as well as the modifications of the constitutive deeds are done according to the legal provisions, without special rules regarding this matter established by the company. Until the present the proposals for the members of the administrative committee have been made by the major stockholder, the appointment being decided in the General Meeting of the Stockholders. The chair of the administrative committee is elected through vote by the members of the administrative committee. The members of the administration committee do not have attribution towards the emission or ransom of the stocks. In the administration contract it is provided that if the company or the administrators close off a mandate without just grounds, by recall or abdication, they will be held responsible against the other part with the produced damages. The company has no agreements that will start being active, will be modified or stop functioning depending on the modification of the company's management.



The meetings of the general assemblies of the stockholders come off as follows:

- The list of attendance of the stockholders is checked, as well as the authorized capital that each of them represents and the ascertaining of attending to the legal demands and provisions of the Constitutive Deed for the proceeding of the general meeting.
- The schedule is presented and the points are put to vote;
- The AGA decisions are taken through open vote, excepting the appointment of administrator and the financial audit for which the secret vote is mandatory.
- The result of the voting is checked and it is recorded in the meeting's recording of proceedings.

According to the provisions of Law no 31/1990 and to the company's status, AGOA has the following main attributions:

- a) To argue, to approve or to modify the annual financial situations, based on the reports presented by the administration committee and by the financial auditor, and to assign the dividend.
- b) To choose and to revoke the members of the administration committee, to appoint and to relieve the financial auditor from his position and to assign the minimum period of the financial audit contract.
- c) To assign the correct payment for the current fiscal year to the members of the administration committee.
- d) To articulate a position towards the inventory of the administration committee.
- e) To establish the income and expenses budget and, if the case, the activity program, for the following fiscal year.
- f) To decide the pledge, rental or annulment of one or several units within the company.

The stockholders have un-patrimonial rights (the right to participate at the general meeting of the stockholders, the right to vote, the right to be informed) and patrimonial rights (the right to dividends and the right to alienate the shares).

#### **7. Conclusions and the proposal for the distribution of the company's profit**

In 2014 the company has effectuated its activity according to the provisions of the constitutive deed, of the AGA decisions, of the BVC, respecting the active legislation concerning the organization an accountancy reflection of the specific activity and of the regulations of the capital market.

The Administration Committee proposes to the General Meeting of the Stockholders to distribute the net profit of the company obtained in 2014, with a value of 5 794 926.78 lei as follows:

- To the legal back up according to article 183 from Law 31/1990 of the commercial companies, republished 317 638.23 lei;
- Distributing dividends to the stockholders 2 026 325.00 lei;
- Distribution to other back-ups 3 450 963.55 lei;

**THE CHAIR OF ADMINISTRATION  
EC. LUCIAN IONESCU**