



The Report of the Board of Directors of SC THR Marea Neagra SA for the consolidated financial statements prepared for 2015

The annual report according to: Accounting Law 82/1991, Order of Public Finance Ministry 1286/2012 approving the Accounting Regulations in accordance with the International Financial Reporting Standards applicable to companies whose securities are admitted to trading on a regulated market, Law 297/2004 on the capital market and NSC Regulation no. 1/2006 regarding the issuers and operations with securities.

Financial year: **2015**

The companies in the consolidation perimeter

Name of Company: **Turism, Hoteluri, Restaurante "Marea Neagra" S.A.**

Head office: **str. Lavrion nr.29, Mangalia, Constanta County**

Telephone/ fax: **0241-752-452 / 0241-755-559**

Unique registration code in the Trade Registry: **2980547**

Trade Register Registration No.: **J13/696/1991**

Regulated market trading issued securities: **Bucharest Stock Exchange**

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

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

Name of Company: **Balneoterapia Saturn SRL – branch**

Head office: **Soseaua Constantei, nr.76, Mangalia, Constanta County**

Telephone / fax: **0241-752.452**

Unique registration code in the Trade Registry: **14271182**

Trade Register Registration No.: **J13/1910/2001**

The shares of the Company are not traded on a regulated market; the evidence of the shareholders is made by administrators by means of Shareholders Register.

1. Analysis of the Company's activity

1.1.

a) Description of the main activity of the Company

The Company's main activity is, according to the NACE classification, code 5510 – “Hotels and similar accommodation” - namely the provision of accommodation, public catering, spa treatment and tourism facilities.

The activity is conducted through its own lucrative facilities, registered and classified in accordance with the regulations in force, providing all operating permits required by law.

According to the NACE classification, the Company's main activity of Balneoterapia Saturn S.R.L. is “Specialized medical practice activities” – NACE code 8622.

b) Date of incorporation of the Company

The Company was founded on March 5, 1991, under the name of S.C. Eforie S.A.

The Company changed its name from Eforie S.A. into THR Marea Neagra S.A. in 2005, according to the Decision of the appointed judge at the Trade Register Office of Constanta no. 10,687 / January 24, 2005, and during 2011 the Company moved its head office in Mangalia, Str. Lavrion nr. 29, Constanta County.

Balneoterapia Saturn SRL is a legal entity registered at the Trade Register Office under number J13/1910/2001, unique registration code 14271182.

c) Description of significant mergers and reorganizations

In 2015, there were no mergers or reorganizations.

d) Description of acquisitions and / or alienation of assets

The Company was established by transformation of state economic units in companies with capital by contribution in kind consisting of assets represented by territorial units located in the tourist resorts on the coast, given for use during 1968-1972 as well as nationalized hotel units.

Given the age of the assets as well as the large volume of investments required to maintain their touristic circuit, the Company has an ongoing restructuring and development strategy according to the shareholders' decision.

In 2015, under the restructuring strategy, the Company continued selling its assets, and also the modernization of some approved assets in order to keep them into property. In 2015 the alienated assets by selling were:

1. Sera Saturn land (20,000 sq m);
2. Vulturul Store (building and land).

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Proceeds from the sale of assets were used according to the budget destination, respectively to the financing of the investment program, together with other own funding sources and funding sources obtained so far.

1.1.1. Elements of general assessment:

- a) Gross profit: **lei 6,276,692**
- b) Total income: **lei 42,791,490** out of which:
turnover: **lei 34,231,396**
- c) export : not applicable
- d) total costs: **lei 36,514,798**
- e) % of the held market: **12.80% of local tourism market**
- f) available in account: **lei 3,047,685**

The Company operates through its lucrative facilities located in resorts of national interest Eforie Nord, Eforie Sud, Neptun, Venus and Saturn being among the leading companies of its kind in the country.

The Company is also comprised of hotel units located in markets with well-established positions in the national plan, and having some growing markets in Europe.

The activity is highly seasonal, being tied to the seasonal activity area, namely the Romanian Black Sea coast.

To mitigate seasonality, the Company has targeted its investment program to develop their own capacity to provide medical spa treatment using specific natural treatment factors; currently, it has 4 treatment areas within the Hotel Complexes "Hora", "Balada", "Sirena" - Saturn and Hotel Complex "Bran-Brad-Bega" in Eforie Nord, the latter being commissioned in 2012. In 2013 it began the extension works for the treatment area at Hotel Complex "Bran-Brad-Bega" in Eforie Nord, works which were completed in 2014.

The operational activity produces income that leads to a positive economic and financial result, able to ensure coverage of all operating costs, but also the business growth through the development of own sources of financing of investment programs.

Seasonality of production revenues involves temporary financing activities from loans, respectively bank loans, which are reimbursed as revenue collection is achieved in relation to the ongoing financial year.

1.1.2. Assessment of the technical level of the Company

Description of the main achieved products and / or provided services by indicating:

- a) the main markets for selling each service and the distribution methods

In 2015, THR Marea Neagra SA exploited and directly managed a total of 7,984 beds and 10,814 public catering places, located in the touristic resorts on the Romanian coast of the Black Sea in hotel units classified in category 1*, 2*, 3* and 4*.

Its main products are packages of accommodation, public catering, and spa treatment, recreation (spa, swimming pools, and cold baths with mud).

Tourism products are promoted through specific means both on the domestic market as well as the external one, the main partners are travel agencies, such as Paradis, Creative Eye, Eximtur, Bibi Touring, Mareea, Transilvania Hotels & Travel, (46.42% of tourist traffic) and the National Pensions and Social Security House for spa treatment products (37%) and other partners specialized in organizing holiday segments, business, recovery spa referrals.

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An important distribution channel is the online selling through specialized sites, but also through our own sales website, channels with the highest rise in recent years and with high growth potential and reversal of positions in the market.

Direct sales to the reception of hotels, especially on weekends, have significant share in sales, the Company is organized to receive and resolve requests to cover their optimum capacities for services.

The tourist product of the main accommodation capacities is distributed on the external market under contracts concluded with foreign partners - the European market, the main foreign partner is Thomas Cook – the second world tour operator that distributes the tourism product in Germany, the Netherlands, Poland. In the Romanian market this partner of SC THR Marea Neagra SA owns more than half of the market share, with an upward trend in the future.

b) main share of service categories in total revenue:

lei

Indicators	Accomplished (lei)			Shares in total revenues (%)			Shares in total turnover (%)		
	2013	2014	2015	2013	2014	2015	2013	2014	2015
Total income	34,416,105	47,539,733	42,791,490	100.00	100.00	100.00			
Turnover, out of which:	28,158,861	29,700,221	34,231,396	81.82	62.47	80.00	100.00	100.00	100.00
- Accommodation	12,271,329	17,585,735	20,878,291	35.66	36.99	48.79	43.58	59.21	60.99
- Meal	9,361,993	8,731,786	9,659,528	27.20	18.37	22.57	33.25	29.40	28.22
- Rents	240,797	272,410	356,661	0.70	0.57	0.83	0.86	0.92	1.04
Other income included in turnover	6,284,743	3,110,291	3,336,916	18.26	6.54	7.80	22.32	10.47	9.75

Total revenues mainly comprise, besides the turnover and other income, own work capitalized (investments made by itself) and income from asset sales. Income from asset sales fell in 2015, so the share of turnover in total revenues increased in the period under review from 62.47% to 80.00% in 2015. The largest share in the turnover results from income from accommodation and public catering. In the analyzed period, the share of those two categories of income varied, combined revenues from accommodation and public catering represent approximately 80% of turnover.

Analyzing the structure of turnover we find an upward trend, income from accommodation have a variation of 18.72% in comparison to the previous year and the increase of share from 59.21% in 2014 to 60.99% this year; this increase is the consequence of the absolute income growth and also the increase in public catering income which increased by 10.62% compared to 2014, income from public catering recorded an upward trend, but with a decreasing share by 28.22% compared to 29.40% recorded last year.

Revenue growth in public catering is registered on the distribution channel of domestic tourism agencies amid the increase of tourist circulation in this channel with 25.08%, driven by the consumption market demand and VAT rate decreased from 24 to 9%.

- c) new products taken into consideration and development stage of these products

Having as priority the increasing use of capacity and the period of use, the Company's investment programs are oriented towards the spa tourism by developing its existing capacities. In this regard, the investment program involved the expansion of the treatment area within "Bran-Brad-Bega" Hotel Complex by creating a modern hydrotherapy section which was commissioned in 2014. On the other hand the Company is focused on modernization of existing capacities, thus the investment program, the Company's priority is the modernization of the existing capacities, thus, within the investment program, the Company decided to complete the modernization of Narcis Complex (175 rooms) and to commission the hotel in 2016 at its capacity, as well as other works of modernization and features designed to provide the comfort requirements stipulated by the regulatory actions of accommodation tourism units and public catering.

1.1.3. Assessment of the technical-material supply activity

Technical and material supply relied mainly on domestic resources of raw materials, with a few exceptions, namely for investments we have turned to sources of imports.

The Company has implemented an integrated quality management system for quality, environment and food safety (SR EN ISO 9011: 2008, ISO 14001: 2005 and EN ISO 22000: 2005) which covers the supply segment, and thus specific operational procedures were implemented.

The purchases were made from traditional suppliers, manufacturers or direct importers, large companies with accreditation for those materials, ISO certified according to European norms and standards.

Suppliers are selected by a selection committee, based on established criteria and scoring, mainly reflecting the price / quality ratio.

In regard to the safety of supply sources we emphasize that all purchased raw materials are accompanied by certificates of conformity, warranty certificates, specification sheets.

Inventories of materials are minimal given the extra season period.

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1.1.4. Assessment of sale activity

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

The company has been operating mainly based on tourist service contracts concluded with travel agencies, the National Pensions and Social Security House (treatment contract), foreign tourism, other beneficiaries, online sales. In 2015, compared to the Income and Expenditure Budget and achievements of the previous year, tourist circulation is as follows:

tourist-days

Tourist days	CNPP	Agencies	Foreign	By oneself	Other beneficiaries	TOTAL
Achieved on December 31, 2015	161,938	187,486	11,644	33,787	34,076	428,931
Income and Expenditure Budget 2015	150,240	196,170	16,650	38,370	28,940	430,370
Differences: achieved in 2015- Income and Expenditure Budget 2015	11,698	-8,684	-5,006	-4,583	5,136	-1,439
Achieved percentage 2015/ Income and Expenditure Budget 2015	107.79	95.57	69.93	88.06	117.75	99.67
Achieved on December 31, 2014	161,883	149,897	16,268	28,318	25,465	381,831
Differences: achieved in 2015-achieved in 2014	55	37,589	-4,624	5,469	8,611	47,100
Achieved percentage in 2015/achieved in 2014	100.03	125.08	71.58	119.31	133.82	112.34
Income and Expenditure Budget Percentage 2015/Achieved in 2014	92,808	130,870	102,348	135,497	113,646	112,712
Differences in the Income and Expenditure Budget 2015-Achieved in 2014	-11,643	46,273	382	10,052	3,475	48,539
Shares in structure in 2015	37.75	43.71	2.71	7.88	7.94	100.00
Shares in structure in 2014	42.40	39.26	4.26	7.42	6.67	100.00

As it can be noticed, in 2015 we achieved a touristic circulation of 428,931 of tourist days, an increase by 12% compared to the one recorded in 2014, and the tourist circulation used in the substantiation of the income and expenditure budget.

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By analyzing the tourist circulation we notice:

- The treatment contract signed with the National Pensions and Social Security House provided a tourist circulation of 161,938 tourist-days with 11,698 more days than the budgetary provisions, given that the progress of the contract was 96%. The high degree of achievement is due to Company policy which follows the achievement of each series, the redistribution in the next series, materialized in addenda so as to maximize the degree of achievement of the contract, recording an approximate tourist circulation to the one of 2014.

- Tourist circulation through travel agencies increased by 25% over the previous year to 149,897 tourist-days in 2014 to 187,486 tourist-days in 2015. By tariff and contracting policy, stimulating conditions have created for tour operator agencies consisting of:

- facilities for families with children;
- the "Early Registration" programme;
- maximum capping of 20% of commissions for sales at agencies against the contract charges;
- non-commissioning of public catering services by the beneficiary and thus the provider gives a commission of 13%;
- providing additional (bulk) discounts at the end of the season.

To stimulate sales, we have launched several special offers: 1st of May on the beach, "Pentecost Offer", linear offers, "Seaside for all", spring and autumn editions.

We have also joined the national programs launched by FPTR and OPTBR, namely "Seaside for all", "The Spa Decade", "A week of recovery", and "Let's go to baths".

- As regarding the foreign tourism component there were carried out 11,644 tourist-days compared to 16,650 budgeted tourist-days and 16,268 achieved days in 2014, with a degree of achievement of 69.93%, due to a general decrease of tourist circulation abroad on the seaside.

- The online sales segment registered the most spectacular growth in 2015 compared to 2014 (194%), this sales channel being in continuous expansion by using an increasingly large scale smart devices and social networks. Given the experience of previous years in online bookings Booking.com, in 2015 we signed contracts with other operators of booking sites. The contracts were concluded for all hotels owned by the Company, which resulted in a near doubling of tourist circulation through this channel last year.

- The Company also signed contracts with other beneficiaries (unions, associations, sports federations, etc.), based on which we have achieved a tourist circulation of 34,076 tourist-days compared to 28,940 budgetary tourist-days and 25,465 tourist-days tourist achieved in 2014, which represents 117% compared to the budgetary provisions and superior to that achieved last season (133%).

- Due to the fact that the hotels were contracted by tourists arriving with tickets sold through the National Pensions and Social Security House by supplementing the contract, while increasing tourist circulation on travel agencies segment, we achieved 33,787 tourist-days compared to 38,370 budgeted tourist-days and compared to 28,318 tourist-days achieved in 2014 with an achievement of 88% of the budgetary provisions.

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Another indicator of tourist circulation is that the number of tourists registered a similar evolution to that expressed in tourist-days, both in total and the partners' structure and the average stay registered similar values to those of last year.

Explanations	Treatment	Agencies	Foreign	By oneself	Other beneficiaries	Online	TOTAL
Number of tourists 2015	10,056	31,323	1,498	6,307	6,893	4,265	60,342
Number of tourists 2014	10,160	25,964	1,793	6,349	4,248	2,173	50,687
Differences 2015/2014	-104	5,359	-295	-42	2,645	2,092	9,655
% 2015/2014	98.98%	120.64%	83.55%	99.34%	162.26%	196.27%	119.05%
% 2015/ Partners	16.67%	51.91%	2.48%	10.45%	11.42%	7.07%	100.00%
% 2014/ Partners	20.04%	51.22%	3.54%	12.53%	8.38%	4.29%	100.00%

Explanations	Treatment	Agencies	Foreign	By oneself	Other beneficiaries	Online	<i>Average stay</i>
							TOTAL
Average stay 2015	16	5.98	7.77	2.83	5	3.72	7.26
Average stay 2014	16	5.77	9.07	3.17	6	3.76	7.53
Differences 2015/2014	0	0.21	-1.3	-0.34	-1	-0.04	-0.27

Tourist circulation has had an increasing trend across all channels of distribution over the entire duration of the contracts for all tourism products offered; in 2015 the average occupancy was 59%.

We will also have in view in the coming years the adaptation of tariff and contracting policy to the market demands, creating favourable circumstances for tour operator agencies, granting volume discounts, facilities for families with children, policy for early booking, disposal of commissions in order to stimulate sellers and create advantages upon selling public catering services. We also take into consideration the special offers designed to ensure an increase in tourist circulation, as well as a permanent adaptation of the tourist product to the market evolution.

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

The Company operates in an area where the main activity is even our object of activity, namely the provision of accommodation, public catering, entertainment, the main attraction is the beach and the bathing water quality of the Black Sea as well as the curative qualities of the main natural resources of spa cure, the sapropelic mud of Techirghiol, the water of Techirghiol Lake, the mesothermal sulphurous water, the sea water and the marine aerosols.

The area has the highest concentration of tourist capacities, which creates a highly competitive climate, and also an inter-determination one, individual development generating the increasing of attractiveness of the area, which resulted in employers' organization of companies that established common objectives and partnerships with the local authorities.

The real competition is the foreign market with similar products, the difference in the tariff policy, identifying in this regard the Bulgarian coast market as a competitor.

The advantage of the Bulgarian market is that it has a sensitive lower level of the service charges linked to a market placed on other levels of price, with lower taxation.

The fiscal policy was harmonized in 2015, namely the VAT rate on public catering services; this change of fiscal policy determined the increase of attractiveness of the Romanian seaside tourism packages, with a corresponding increase in tourist circulation and revenues.

The Company has a significant share in the market of about 12.80% being strongly anchored in the market with customized products both internally and externally and holding over 50% of the Romanian market of the largest tour operator outside the Romanian market, Thomas Cook, the second worldwide tourism operator.

c) Description of any significant dependency of the Company in relation to a single customer or group of customers whose loss would have a negative impact on the Company's revenue

THR tourism products have a range of national distribution and are available on all distribution channels (travel agents, websites, direct sales, etc.). As a result, the disappearance of a distribution partner will not significantly affect the tourism product.

d) Description of any significant dependency of the Company in relation to a single customer or group of customers whose loss would have a negative impact on the Company's revenue

THR tourism products have a range of national distribution and are available on all distribution channels (travel agents, websites, direct sales, etc.). As a result, the disappearance of a distribution partner will not significantly affect the tourism product.

An important share is the customer of the National Pensions and Social Security House. Given that public procurements of this partner are for the retirees from the public sector, if the House does not buy these services, it does not cancel the consumption demand. Treating health is a necessary and ongoing process; the product will sit on other distribution channels so that consumers can purchase the necessary product.

Correlated with the fact that our spa treatment product is customized, known and proven in the market, we will not encounter major difficulties with negative revenue impact if one of our main partners would withdraw from the market.

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1.1.5. Assessment of the Company's employees / staff

a) Regarding the human resources in 2015 compared to 2014, staff evolution was as follows:

No.	Indicator	Average no. in 2015	Average no. in 2014	No. on December 31, 2015
1	Permanent staff out of which:	125	133	126
	a) technical, socio-economic and administrative staff	47	47	46
	b) operational staff	78	86	80
2	No. of seasonal staff	269	237	31
3	Total Staff	394	370	157

Compared to 2014, there is an increase in the average number of staff (106.84%) mainly of the operational seasonal staff, an increase directly proportional with the degree of increase in turnover which was achieved in the proportion of 115.34%.

The situation in the dynamics of gross wages compared to the achieved income is as follows:

No.	Indicator	2014	2015	2015/2014%
1	Expenditure on gross wages(lei)	5,559,643	6,863,841	123.46%
2	Average number of employees	370	394	106.49%
3	Turnover (lei)	29,700,221	34,231,396	115.26%
4	Work productivity(lei/employee)	80,271	86,882	108.24%
5	The average achieved monthly gross salary(lei)	1,252	1,452	115.94%
6	The average gross salary per economy under Social Insurance Budget Law	2,298	2,560	111.38%
7	National minimum wage (lei)	900	1,013	112.50%

Gross salary expenses have had an evolution proportional to the degree of realization of revenues from the main activity, a similar trend occurred with the indicator of the average number of employees, with a greater reduction caused by the introduction of the centralized security monitoring of the property, labour productivity having an increase of 8.24%. The indicator for the gross average salary grew by 15.94%, mainly due to the increase in the national minimum wage given the high share of operational staff remunerated at this level.

By comparing the gross salary per company with the average gross salary per economy, namely lei 1,452 lei compared to lei 2,560 one can notice that the average gross salary per Company is far below the average wage, representing 56.72%, driven on the one hand by the staff structure, with high share of low-wage employees, and on the other hand the seasonal nature of the activity, which causes reduced opportunities for remuneration.

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The average number of employees in 2015 includes employees from the technical department who have made investments by themselves; their salaries expense was included in the value of achieved investments. They have not contributed to the turnover, but they are included in calculating the number of employees and influence work productivity.

b) Relations between the manager and employees are based on communication, involvement and team spirit, observing the rules and working procedures established by internal regulations, job description, with no conflicting elements, being governed by the collective labour agreement and individual labour contracts.

1.1.6. Assessment related to the main activity impact of the issuer on the environment.

The main activity of T.H.R. Marea Neagra S.A. is conducted in compliance with the legislation in force regarding the requirements of environmental protection, obtaining all environmental permits required for each type of activity and lucrative facility.

The Company has identified all its activities with potential environmental impact and has regulated them according to the environmental standards ISO 14001: 2005 by own procedures.

Currently there are no litigations or there are not expected ones on violation of the legislation on environmental protection.

1.1.7. Assessment of Research and Development activity

The Company is in a constant search for solutions to reduce costs, and to attract new customers. The Company has implemented alternative solutions for producing electricity or thermal energy for domestic hot water with solar energy, the solution is expanding. Also, considering the fact that the local administration has completed the investment of gas supply of resorts, the Company is considering the connecting of thermal power plants and power sources to the gas network, with a positive impact on the environment as well as the efficient use of financial resources.

The Company has also implemented an integrated system for all units of accommodation and public catering which it holds together with the information systems of the main partners (National Pensions and Social Security House, tour operator agencies), so it can get real-time information on sold tourist packages and their reallocation depending on requests and reconfiguration of pricing and sales policy.

In 2015, the Company made significant investments in the amount of lei 17,215,995 including VAT, out of which the most important were: the modernization of 104 rooms in Narcis Complex, the modernization of Semiramis Hotel, Tosca, Aida, facilities and specific equipment and acquisition and implementation of the hotel management Opera program.

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Investments were made in the following objectives:

		lei
No.	Investment objectives	Achieved on December 31, 2015
1	Narcis Complex - interior installations works (104 rooms) and exterior works – facades of balconies, waterproofing works, furniture	9,867,738
2	Semiramis Hotel plumbing works and bathroom construction works	851,833
3	Tosca Hotel plumbing works and bathroom construction works	946,503
4	Aida Hotel - bathroom doors and shelves in the hall of the rooms	251,443
5	Diana Hotel - plumbing works	68,113
6	Venus Hotel - plumbing works	282,028
7	Designing of balconies + parking	20,211
8	Opera hotel management program + facilities	573,902
9	Bran Hotel - chiller	316,436
10	Other exterior construction works, waterproofing works, electrical works and facilities on the investment nature	1,127,418
	Total investments without VAT	14,305,624
	VAT	3,345,971
	Total investments	17,651,595

In order to finance these investments there were used own sources of financing:

Explanations	Amount (lei)
Cash Flow generated by selling assets with full payment / instalment (with VAT) after corporation tax payment	8,596,314
Depreciation	6,375,386
Own sources of financing	14,971,700

The difference of lei **2,679,895** of the total investments made by lei **17,651,595** and total of own sources of funding (left after payment of investments from previous years and dividends to shareholders) of lei **14,971,700** was provided from bank loans held by the Company.

Revenues from sales of assets were used exclusively to finance the Company investments.

1.1.8. Assessment of Company's risk management

The management of the Company has prudently ensured and prudently ensures the management of liquidity risk, always aiming to ensure enough cash, so to cope with maturity payments on time.

The specificity of the carried out activity determines the Company's exposure to a variety of general risks and also specific risks to its activity and the financial market on which it operates. Risk is defined as the possibility to record unfavourable deviations of results against an expected level due to random fluctuations. Significant risks represent risks with significant impact on the economic and / or reputational situation of the Company.

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

In the activities developed by the Company, it may face uncontrollable risks, which are generally associated with external factors such as macroeconomic conditions, legislative changes, changes in the competitive environment, etc. However, our Company usually faces controllable risks, for which policies and procedures of active management (analysis, monitoring and control) are adopted. These risks are associated with internal factors such as the nature of activity, complexity of organizational structure, quality of personnel, etc.

The main risks to which the Company is exposed to:

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

Currency risk

The Company is easily exposed to fluctuations in currency exchange rates, primarily in the case of cash in foreign currency, receivables and bonds in other currencies as well as other assets and liabilities in lei, but which are consolidated through contracts in relation to other currencies, usually in EURO and / or USD. Transactions share made or consolidated in other currencies is low, so this risk does not have such great impact.

Interest rate risk

The Company's operating cash flows are affected by changes in interest rates, mainly in the case of contracted credit lines depending on the Romanian Interbank Offer rate. In recent years the Romanian Interbank Offer rate reference had a relatively constant trend, which makes this risk to be reduced. Also, to sell part of its assets, the Company concluded sale contracts in instalments in which interest is calculated according to the Romanian Interbank Offer rate, so we reduced the interest rate risk.

Credit risk

Credit risk is the risk of recording losses or failure to achieve estimated profits due to non-fulfilment of financial obligations. THR Marea Neagra SA has sold assets in instalments for which it calculates and collects interest. The remaining price related to contracts and interest is secured by mortgages on assets in favour of THR, so the risk of no cashing is reduced.

Liquidity risk

Liquidity is the ability of the Company to secure the necessary funds to fulfil all its direct and indirect payment obligations, at a reasonable price at any time. Liquidity risk is the actual or potential risk to which profits and capital could be subject to, following its inability to meet its payment obligations when due. The company constantly watched to ensure a balance between its sources of funding and its short-term needs, and so it has always had liquidities to fulfil financial. The Company prepares monthly forecasts of cash flow for periods ranging from 6 months to a year, so it can detect on time a possible lack of liquidity and may take measures accordingly.

Operational risk

Operational risk is the risk of recording losses or failure to achieve estimated profits due to internal factors such as inappropriate conduct of internal activities, the existence of a personnel or inadequate systems or because of external factors such as economic conditions, changes in capital market, technological progress. Operational risk is inherent in all activities of the Company.

Policies defined for managing operational risk have taken into consideration each type of events that can generate significant risks and ways of their manifestations, to eliminate or minimize financial or reputational losses.

1.1.9. Elements of perspective on the Company's activity

One of the products with high growth potential in the future is the spa tourism. The Company's units are located in resorts with natural cure factors. The Company has identified this opportunity and obtained licenses for exploitation of these natural resources, extending the capacity of the treatment facilities, so we can meet the demand for such services.

This segment of health tourism will help to attract tourists from abroad, especially from the European zone. European Directive no. 24/2011 sets forth the patients' rights in cross border healthcare, providing the legal framework to guarantee the rights of European citizens to obtain health services in all countries of the European Union. One of the main concerns of the Company is to attract this segment of tourists.

Another direction of development is leisure tourism. New recreational facilities have appeared in the area every year. During the summer season festivals are organized ("Callatis" festival) and concerts ("Liberty Parade") which attract younger tourists, a market segment that interests us directly.

A major concern of the company is the expansion of the distribution channel. The Company is in constant search of new customers, but it also pays the necessary attention to building existing consumer loyalty.

2.The tangible assets of the Company

2.1. The main accommodation and public catering capacities of the Company, located in the tourist circuit in 2015, are:

Accommodation units:

- 2 4-star hotels, with a total capacity of 992 beds
- 7 3-star hotels, with a total capacity of 3,220 beds
- 14 2-star hotels, with a total capacity of 3,496 beds
- 1 1-star hotel, with a capacity of 276 beds

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Public catering units:

- 3 4-star restaurants, with a total capacity of 1,440 seats
- 7 3-star restaurants, with a total capacity of 3,855 seats
- 7 2-star restaurants, with a total capacity of 4,446 seats
- 1 2-star buffet with a total capacity of 170 seats
- 1 1-star buffet with a total capacity of 60 seats
- 2 4-star day bars with a total capacity of 120 seats
- 7 3-star day bars with a total capacity of 466 seats
- 4 2-star day bars with a total capacity of 257 seats
- 1 3-star snack-bar with a total capacity of 100 seats

Entertainment units:

- 3 aqua park sites with a total capacity of 850 seats.

Spa treatment units:

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

In total, the Company had in 2015 in the tourist circuit 7,984 beds and 10,814 places of public catering, the distribution in resorts is presented below:

Category classification	Eforie Nord		Eforie Sud		Neptun		Venus		Saturn		Grand total	
	units	Per tourist	units	Per tourist	units	Per tourist	units	Per tourist	units	Per tourist	units	beds
****	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	536	3	672	0	0	2	420	6	1868	14	3496
*	0	0	0	0	0	0	0	0	1	276	1	276
Total accommodation	4	992	3	672	1	652	3	682	12	4838	24	7984

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Category classification	Eforie Nord		Eforie Sud		Neptun		Venus		Saturn		Grand total	
	units	Per tourist	units	Per tourist	units	Per tourist	units	Per tourist	units	Per tourist	units	seats
Restaurants												
****	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	1	228	0	0	3	1358	2	1960	7	4446
Total Restaurants	3	1500	1	228	1	770	3	1358	9	5885	17	9741

Category classification	Eforie Nord		Eforie Sud		Neptun		Venus		Saturn		Grand total	
	units	Per tourist	units	Per tourist	units	Per tourist	units	Per tourist	units	Per tourist	units	seats
Day bars												
****	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	2	105	1	32	4	257
Total day bars	2	200	0	0	1	106	2	105	8	432	13	843
Buffets												
**	0	0	0	0	0	0	0	0	1	170	1	170
*	0	0	1	60	0	0	0	0	0	0	1	60
Total buffets	0	0	1	60	0	0	0	0	2	260	2	230
Total public catering	5	1700	2	288	2	876	5	1463	19	6577	32	10814

2.2 Description and analysis of the properties'wear of Companies

The assets held by the Company are older than 45 years, generally being built in the period 1968-1972. Assets under tourist circuit own classification certificates and legal operation permits, fulfilling the legal requirements for the respective comfort category.

Some assets have been modernized in the last 10 years; the degree of comfort has been raised from one or two stars to three and four stars. The works performed were far-reaching, including consolidations, thus they register a smaller degree of wear than their age.

A feature of the activity is the existence in assets of productive and auxiliary units under conservation and others with partial operation, which hampers the core business and the economic result, given the necessary investment and shortage of funds, market's low real estate market and tacitly reduced capitalization of assets approved for sale by the Company's strategy.

These assets generate both fixed expenses and variable expenses necessary to conservation, fixed costs of taxes, as amended by the Tax Code, and with odds between 1.8 - 20% applied on the carrying value of buildings and the free land available for these assets.

To optimize these costs, we anticipated partial operation of assets, where possible, the result is obviously negative, but the best option for the company.

2.3 Specifying the potential problems related to ownership of tangible assets of the Company.

The main disputes related to ownership right of the Company's tangible assets, namely, lands, refer to:

- Land area of 417 sqm for Ancora Hotel
- Land area of 197 sqm for the Technical Office in Eforie

In all these disputes, THR is part and brought defending actions before the competent courts and the Company made all efforts to defend the right of ownership of the assets.

3. Market securities issued by the company

3.1. Specifying markets in Romania and other countries where securities issued by the company are negotiated.

It is a publicly owned Company, according to the terminology provided in Law 297/2004 on the capital market, being registered in the National Commission of Securities - Office for keeping records of securities.

Shares of THR Marea Neagra S.A. are listed on the second category of the Bucharest Stock Exchange since August 15, 2002, with the symbol "EFO". In the last trading day of 2015, respectively December 30, 2015, upon the closing of the Stock Exchange the shares of THR Marea Neagra SA were listed at the value of 0.0848 lei / share, compared to 0.0588 lei / share December 31, 2014. In the past year, the Bucharest Stock Exchange transactions were completed for a total of 20,820,924, compared to 12,849,346 traded shares in 2014, the value of these transactions being lei 1,349,274.16, compared to lei 761.387 worth transactions carried out in 2014, and the traded part being on the segment of 22.29% owned by other shareholders.

3.2. Description of the dividend policy of the company. Specification of dividends due / paid / accrued in the last 3 years and, if applicable, the reasons for the possible decrease of dividends during the last 3 years.

In 2012, the General Meeting of Shareholders decided to distribute dividends in the total value of lei 1,042,109.89 and 0.0018 lei / share, the remaining profit was used for the establishment of legal reserves and reserves for the development of Company.

In 2013, the shareholders have determined that the profit earned to be used for the distributions established by law and the remaining net profit to remain available to the Company to finance investments.

In 2014, the General Meeting of Shareholders decided to distribute dividends amounting to lei 2,026,325.00, the remaining profit was allocated to legal reserves and distributions to the Company's development fund.

For 2015, we propose that the earned profit to be used for the distributions established by law, to own financing sources and the remaining net profit to be distributed as dividends to shareholders.

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

The company has never purchased its own shares.

3.4. If the company has subsidiaries, including the number and nominal value of the shares issued by the parent Company held by subsidiaries.

The Company is the sole shareholder of SC Balneoterapia Saturn SRL, the only wholly-owned subsidiary. Balneoterapia Saturn SRL does not hold any share issued by THR Marea Neagra SA.

3.5. If the Company has issued bonds and / or other debt instruments, showing how the company pays its obligations to the holders of such securities.

The Company has not issued bonds or other debt securities.

4. The Company's management

4.1. Presentation of the Company's directors and information for each director:

The company is managed by a Board of Directors consisting of four members, namely:

- Mielu Dobrin - Chairman
- Prescure Titus - Member
- Nicolae Butoi - Member
- Dorinel Cazacu - Member
- Vacant

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The General Meeting of Shareholders of SC THR MAREA NEAGRA SA held on April 20, 2015 approved the management of the Company by a Board of Directors of 5 members and the completion of the Board of Directors by choosing Mr. Dorinel Cazacu and Mr. Mielu Dobrin for a period equal to the managers in office for a period from April 20, 2015 to March 19, 2019.

During the meeting of the Board of Directors from May 11, 2015, following the resignation of Mr. Radu Toia from his position as director and chairman of the Board of Directors, Eng.Mielu Dobrin was appointed as chairman of the Board of Directors.

During the meeting of the Board of Directors from April 20, 2015 the appointment as executive directors of Mr. Butoi Nicolae and Mr. Cazacu Dorinel has been approved.

All Board members were elected at the proposal of the majority shareholder, S.I.F. Transilvania.

The Board of Directors was convened regularly in meetings, according to the provisions of Law 31/1990 republished in accordance with the provisions of the Articles of Incorporation.

The Board of Directors monitored the operational and financial performance of the executive management through indicators and performance criteria set in the Income and Expenditure Budget and other approved programs. All the efforts of the Board of Directors and of the executive management were oriented towards the fulfilling the Company's mission to provide quality services, with trained personnel. Also, the priority objective is the development of material and technical base, the rehabilitation and modernization of the existing one through a coherent and consistent investment program in terms of a real protection of the environment.

The Board of Directors pursued the work program proposed for 2015, the execution of Income and Expenditure Budget, monthly and quarterly, and the approved investment and repairs program.

The forecasting effort and the organization of the Board of Directors resulted in programs for future development of the Company, marketing programs, computerization programs, promotion and recruitment programs and increase of the quality of the touristic product, systems of procedures for the main activities of the Company and the reconsideration of its organizational structure.

b) any agreement, understanding or family connection between that administrator and another person because that person was appointed as administrator;

Not applicable.

c) Administrator's participation in the Company's capital;

Mr. Mielu Dobrin, Chairman of the Board of Directors, owns 30,000 issued by the Company.

d) list of persons affiliated to the Company

THR Marea Neagra SA affiliated person is SIF Transilvania SA, company which owns 77.71% of shares issued by THR Marea Neagra SA;

4.2. Presentation of the list of executive management members of the Company. For each member, the presentation has the following information:

Company's executive management was provided until January 30, 2015 by Mrs. Stan Linica - General Manager under the mandate agreement concluded under the provisions of Law 31/1990 on companies.

The Board of Directors convened on February 5, 2015, decided the appointment with mandate contracts of Mr. Zamfir Mihai in the position of General Director for the period February 5, 2015 - February 5, 2016 and Mrs. Stan Linica as Administrative Director for the period February 1, 2015 – December 31, 2015.

During the meeting of the Board of Directors of July 2, 2015 it was decided the revocation of the mandate of Mr. Mihai Zamfir, appointed as General Director, starting July 3, 2015, being appointed as General Director Mr. Stan Virgil for a mandate of 3 months.

During the meeting of the Board of Directors of September 30, 2015 it was decided to extend the mandate of Mr. Stan Virgil as General Director until September 30, 2016.

During the meeting of the Board of Directors of October 19, 2015 it was noted the resignation of Mrs. Stan Linica and the termination of the mandate contract and during the meeting of November 25, 2015 it was decided the appointment as Deputy General Director of Mrs. Mosoiu Narcisa Georgiana with mandate contract during December 2, 2015-September 30, 2016.

The management of the Economic department by Mrs. Dumitra Miu - Chief Accountant.

a) the term for which the person is part of the executive management;

The General Director and the Deputy General Director concluded a contract with the Company under the provisions of Law 31/1990 on Companies; the contract expires on September 30, 2016.

b) any agreement, understanding or family connection between that person and another person because of whom that person has been appointed as member of the executive management;

Not applicable.

d) the person's participation in the company's capital.

From the executive management, Mr. Stan Virgil has a total of 366 shares, Mosoiu Narcisa Georgiana holds a total of 1,500 shares and Ms. Miu Dumitra holds a number of 1,500 shares.

4.3. For all persons presented in 4.1. and 4.2., indication of any disputes or administrative proceedings in which they were involved in the last 5 years, on their activity within the issuer, as well as those concerning the ability of that person to perform their duties within the issuer.

Not applicable.

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5. Financial accounting statement

In 2015, THR Marea Neagra SA organized its accounting under the Order of Public Finance Ministry 881/2012 and the Order of Public Finance Ministry 1286/2012 to approve the accounting regulations in accordance with the International Financial Reporting Standards applicable to companies whose values are admitted to trading on a regulated market. These orders stated that companies whose securities are quoted on the regulated market, among which there is also THR Marea Neagra SA, are required to prepare financial statements in accordance with IFRS beginning with 2012.

The financial statements were audited by SC A.B.A. Audit S.R.L. Timisoara.

The situation in the main dynamics of asset on December 31, 2015 compared to similar items in the years 2014 and 2013 is as follows:

lei

ASSET	Value on December 31, 2013 (lei)	Value on December 31, 2014 (lei)	Value on December 31, 2015 (lei)	Variation 2015/2014 (%)	2015 share in total assets(%)
Intangible assets	68,295	42,445	612,035	1441.95%	0.23%
Tangible assets	217,226,553	204,074,065	233,791,662	114.56%	89.51%
Real estate investments	3,109,159	3,351,613	3,337,958	99.59%	1.28%
Financial assets	0	0	0	0.00%	0.00%
Non-current receivables and deferred tax receivables	0	1,972,807	1,538,569	77.98%	0.59%
TOTAL FIXED ASSETS	220,404,007	209,440,930	239,280,224	114.24%	91.95%
Stocks	1,241,400	942,313	658,266	69.86%	0.25%
Receivables	11,530,755	4,438,332	13,098,227	295.11%	5.03%
Financial assets	1,336	1,336	1,336	100.00%	0.00%
Cash	1,027,187	12,499,360	3,047,685	24.38%	1.17%
Assets classified as held for sale	11,437,218	7,350,672	4,073,434	55.42%	1.57%
Expenses registered in advance	42,661	35,153	42,367	120.52%	0.02%
TOTAL CURRENT ASSETS	25,280,557	25,267,166	20,921,315	82.80%	8.04%
TOTAL ASSET	245,684,564	234,708,096	260,201,539	110.86%	100.00%

The largest share of the company's assets belongs to the fixed assets (91.02%), mainly land and buildings; the share of current assets is 8.63%.

On December 31, 2015, the fixed assets had an increase by 14.59% compared to 2014, due to investments made in fixed assets, intangible assets by purchasing licenses for hotel management and revaluation of assets and land for determining fair value on December 31, 2015.

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Analyzing their structure, tangible assets represent 89.51% of total fixed assets. The increase of fixed assets is given by the value of investments, amounting to lei 14,305,624 achieved in 2015 and the revaluation of assets and lands and the balance of fixed assets on December 31, 2015 is influenced by severance of assets by way of depreciation of fixed assets for that respective year, sales of assets (Vulturul store) and disposal of fixed assets.

International Financial Reporting Standards (IFRS) require the reclassification of some assets depending on their use.

Assets classified as real estate investments, respectively for rent, were evaluated by an expert appraiser in order to present the fair value of the property at the date of preparation of the financial statements. Increase in fair value of assets reclassified as real estate investments is recognized in the profit and loss account.

Current assets show a decrease from the level achieved in the previous year.

Decrease of stock levels compared to the beginning of the year is determined by using the acquired stocks for the performed investments. We also notice a reduction in assets held for sale classified in the category of stocks from lei 7,350,672 in 2014 to lei 4,073,434 in 2015 as result of selling the land area of 20,000 sqm, Sera Saturn, company recategorized in 2014 and maintained in 2015 in the category of assets held for sale of Neptun Hotel, Alfa Hotel and Beta Hotel with adjacent land.

Company's claims consist mainly of rates on asset sales in instalments (instalments worth lei 7,015,14630 with final maturities after January 1, 2015) and the claims to the state budget represented as VAT to be recovered of lei 2,990,516.68 (due to investments and purchase, their decline is, on one side, of VAT recovery and, on the other side, of reaching their maturity in the sale-buy contracts of assets in instalments). In 2011-2012, the Company sold its portfolio of shares held for sale, so there remained only a small package of shares not listed on the stock exchange.

The decrease of available funds in 2015 is explained by using their own funds to relieve the withdrawal from the credit line, for which we pay interest.

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In 2015, liabilities had the following evolution:

LIABILITY	Value on December 31,2013 (lei)	Value on December 31,2014 (lei)	Value on December 31,2015 (lei)	Variation 2015/2014 (%)	2015 share in total liabilities(%)
					lei
Subscribed and paid capital	57,894,994	57,894,995	57,894,995		22.25%
Capital adjustment due to application of IAS 29	0	0	85,945,333		33.03%
Share premium out of which:	1,895,814	1,895,814	1,895,855	100.00%	0.73%
<i>Issuance and merger premiums</i>	<i>1,895,814</i>	<i>1,894,814</i>	<i>1,894,814</i>		<i>0.73%</i>
<i>Share premium inflated due to application of IAS 29</i>	<i>0</i>	<i>0</i>	<i>41</i>		<i>0.00%</i>
Total reserves out of which:	19,569,568	20,980,920	24,917,245	118.76%	9.58%
<i>Legal reserves</i>	<i>3,921,283</i>	<i>4,238,921</i>	<i>4,522,914</i>		<i>1.74%</i>
<i>Other reserves</i>	<i>12,668,334</i>	<i>13,334,143</i>	<i>20,394,331</i>		<i>7.84%</i>
Inflated reserves due to application of IAS 29 for the first time	0	0	16,745,901		6.44%
<i>Inflated legal reserves due to application of IAS 29</i>	<i>0</i>	<i>0</i>	<i>1,280,018</i>		
<i>Other inflated reserves due to application of IAS 29</i>	<i>0</i>	<i>0</i>	<i>15,465,883</i>		
Revaluation differences out of which:	112,875,885	99,572,027	114,037,747	114.53%	43.83%
<i>Revaluation differences in 2015</i>			<i>17,818,925</i>		
Retained earnings except for the retained earnings from the adoption of IAS 29 for the first time	42,065,079	42,229,372	47,420,552	112.29%	18.22%
<i>From correction of accounting errors in previous years</i>	<i>-1,855,798</i>	<i>-9,813,664</i>	<i>-8,096,457</i>		<i>-3.11%</i>
<i>Revaluation reserve surplus</i>	<i>47,116,118</i>	<i>54,937,852</i>	<i>58,710,059</i>		<i>22.56%</i>
<i>Resulted from the transition to IFRS</i>	<i>-3,193,052</i>	<i>-3,193,052</i>	<i>-3,193,052</i>		<i>-1.23%</i>
Retained earnings from the adoption of IAS 29 for the first time	0	0	-102,691,275		-39.47%
Earnings of the financial year	1,442,674	6,033,421	4,802,150	79.56%	1.84%
Other elements of equity	-11,323,005	-10,861,023	-13,362,778	123.03%	-5.14%
Total Equity	224,421,009	217,745,525	237,605,724	109.12%	91.32%
Medium and long-term debt	11,602,587	10,996,371	14,243,235	129.53%	5.47%
Short-term debt	9,660,968	5,966,200	8,352,580	140.00%	3.21%
TOTAL LIABILITY	245,684,564	234,708,096	260,201,539	110.86%	100.00%

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Within the liability items, the largest share belongs to equity (approximately 91.32%), capital 22.25% of total liabilities of the Company.

On December 31, 2015 the Company proceeded to share capital restatement according to the provisions of IAS 29 regarding the “Financial reporting in hyperinflationary economies” (effective in Romania until December 31, 2003, by reconstituting the evolution of capital and reserves from its foundation until 2003 (specifying the exact date and source) and applying the inflation indices, resulting in an increase of equity in the amount of **lei 102,691,274**.

After the performed restatements, it results an increase in the amount of **lei 85,945,332** which is registered in share capital (“Adjustments of the share capital”) in compensation for retained earnings (“Retained earnings due to adoption of IAS 29 for the first time”).

This adjustment does not involve changes in the capital of the Company registered at the National Trade Register Office, but instead has a negative impact (loss) on retained earnings.

By making adjustments to capital items for the financial year up to December 31, 2015, namely “Capital and other equity elements” in correspondence with “Retained earnings due to adoption of IAS 29 for the first time” the impact in equity is void because loss carried forward can be covered from the profit of the financial year and the retained earnings, reserves, share premium and capital, according to the decision of the general meeting of shareholders.

There were no changes in capital premiums and legal reserves increased by profit distribution of financial year. **Revaluation differences increased over the previous year due to the revaluation of tangible assets carried by the Company on December 31, 2015, being adjusted with the sales of assets realized in 2015.**

We mention that the revaluations performed after January 1, 2004 is recognized for tax purposes as income and similar items as depreciation of tangible assets and their severance of assets. For these temporary differences between the carrying amount and the tax one, IAS 12 requires the calculation of deferred income tax, which diminishes the value of equity (included in the table above under the heading other similar capital items) and adds to the debt.

Retained earnings increase over the previous year mainly on account of transferring the surplus achieved for the assets sold and the property revaluation.

Long-term debts arise mainly from deferred income tax in the amount of lei 13,452,421, increasing from the previous year due to the revaluation of tangible assets, real estate investments and assets held for sale made by the Company on December 31, 2015. This tax is not exigible and will be recognized as a payable liability, as depreciation or severance of assets.

Short-term liabilities consist of trade payables, wage, fiscal and any other kind, due after January 1, 2016, the company did not record outstanding debts.

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Earnings offinancial year

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Indicators	2013	2014	2015	Index 2015/ 2014
Income from accommodation	12,271,329	17,585,735	20,878,291	118.72%
Income from public catering	9,361,993	8,731,786	9,659,528	110.62%
Income from rents	240,797	272,410	356,661	130.93%
Other income included in turnover	6,284,743	3,110,291	3,336,916	107.29%
Income from assets disposed and assets held for sale	1,941,321	15,665,455	7,260,763	46.35%
Other income	2,300,464	1,709,978	1,024,972	59.94%
Stock variation	176,277	147,476	0	0.00%
Total operating income	32,576,923	47,223,130	42,517,131	90.03%
Expenditure on stocks	7,019,743	7,080,456	6,852,891	96.79%
Expenditure on utilities	2,688,897	2,209,065	2,560,983	115.93%
Employee benefits expense	7,986,362	7,639,345	9,792,259	128.18%
Depreciation expenses and impairment of assets	6,411,321	6,481,986	6,790,976	104.77%
Expenditure on assets disposed, and assets held for sale	1,237,320	7,905,542	3,381,254	42.77%
Other taxes and fees	1,516,893	2,735,620	2,217,785	81.07%
Expenditure on external services	3,106,876	4,007,457	4,042,149	100.87%
Other expenses	629,351	954,242	727,198	76.21%
Total operating expenses	30,596,762	39,013,714	36,365,494	93.21%
The operating result	1,980,161	8,209,416	6,151,637	74.93%
Financial income	1,839,182	316,604	274,359	86.66%
Financial charges	1,992,406	575,732	149,303	25.93%
Earnings of the financial year	-153,224	-259,128	125,056	-
Earnings before tax	1,826,937	7,950,288	6,276,693	78.95%
Current income tax expense	128,250	1,939,044	1,339,701	69.09%
Deferred income tax expense	256,013	-1,764	134,842	-
Income related to deferred income tax	0	20,413	0	0.00%
NET Earnings	1,442,674	6,033,421	4,802,150	79.59%

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In terms of the nature of the work that generated profit in 2015, one can identify two types of activities: the main activity of the company resulted from the income achieved at a rate of 83.05% and the activity of asset sales according to the strategy approved by the General Assembly of Shareholders of the Company's restructuring in proportion of 16.95%. Depending on the two components of the Company's activity, compared to the budgetary provisions of the previous year, chapters of revenues and expenses related to the two core activities of the Company are as follows:

Lei

Indicators	2013	2014	2015	Index 2015/ 2014
Core activity income	32,474,785	31,874,279	35,530,727	111.47%
Expenditure on core activity	31,351,848	30,023,068	33,133,545	104.58%
Gross profit from core activity	1,122,937	1,851,211	2,397,183	129.49%
Income from asset sales	1,941,321	15,665,455	7,260,763	46.35%
Expenses from asset sales	1,237,320	9,566,378	3,381,254	35.35%
Gross profit from asset sales	704,000	6,099,077	3,879,509	63.61%
Total income	34,416,105	47,539,733	42,791,490	90.01%
Total expenses	32,589,168	39,589,446	36,514,798	92.23%
Gross profit	1,826,937	7,950,288	6,276,692	78.95%
Profit tax	384,263	1,918,631	1,474,542	76.85%
Net profit	1,442,674	6,031,657	4,802,150	79.62%

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The core activity generated a profit of lei 2,397,183 and asset sales activity generated a gross profit of 3,789,509 RON.

Compared to the budget provisions of the previous years, chapters of revenues and expenses related to the two core activities of the Company are as follows:

lei

Indicators	2014	Income and Expenditure Budget 2015	2015	Index 2015/2014	Index 2015/Income and Expenditure Budget
Core activity income	31,874,279	35,037,853	35,530,727	111.47%	101.41%
Expenditure on core activity	30,023,068	33,027,952	33,133,545	104.58%	100.32%
Gross profit from core activity	1,851,211	2,009,901	2,397,183	129.49%	119.27%
Income from asset sales	15,665,455	7,296,000	7,260,763	46.35%	99.52%
Expenses from asset sales	9,566,378	3,427,238	3,381,254	35.35%	98.66%
Gross profit from asset sales	6,099,077	3,868,762	3,879,509	63.61%	100.28%
Total income	47,539,733	42,333,853	42,791,490	90.01%	101.08%
Total expenses	39,589,446	36,455,190	36,514,798	92.23%	100.16%
Gross profit	7,950,288	5,878,663	6,276,692	78.95%	106.77%
Profit tax	1,918,631	1,460,572	1,474,543	76.85%	100.96%
Net profit	6,031,657	4,418,091	4,802,149	79.62%	108.69%

As it can be noted, the Company realized revenues and expenditures from core activity at the level provided in the Income and Expenditure Budget, making a profit from the main activity at a rate of 119.27% compared to the budgetary provisions. As regarding the asset sales, degree of realization of profit is 100.28% and is mainly due to sales of some assets in the month of December 2015 being adjusted due to restitution to the owner of Malvina Villa, based on a final ruling of the court.

To conclude, at the end of 2015, THR Marea Neagra SA recorded a gross profit of lei 6,276,692, at the level of 106.77% of the gross profit provided in the Income and Expenditure Budget approved by the General Assembly of Shareholders. This profit corresponds to a net profit of lei 4,802,149, compared to lei 4,418,091 as it was established in the Income and Expenditure Budget, with a profit rate of 11.21%.

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Financing the activity

During 2015, S.C. THR Marea Neagra S.A. has funded its activity by using its own financing sources, as well as through two lines of credit amounting to 10,000,000, of which 4,452,315 lei were used at the end of the year and an investment credit of lei 2,000,000 which was fully covered at the end of the year.

As regarding the fulfilment of payment obligations, the Company has no outstanding debts, payments being made within the due period provided in contracts, respectively on legal deadlines for debts to the state budget.

6. Corporate governance

The Board of Directors was convened in monthly meetings, according the provisions of Law 31/1990, republished, and whenever needed, its duties are stipulated in the Articles of Incorporation.

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

During 2015 the activity of administrators was focused on achieving the objects of the Company according to the decisions taken in the General Assembly of Shareholders, legal provisions and the Articles of Association.

One of the constant concerns of the administrators has been the increasing of sales by developing the sales department, identifying new customers and building regular consumer's loyalty. It has also been taken into consideration the improvement of policy regarding the promoting of tourism products by launching special offers and tailored deals for specific categories of tourists.

Also, the Board of Directors was concerned about the asset sales, approving minimum prices and the conditions of sale of these assets. The company actively sought potential clients, organized public procurements and conducted adequate advertising of such transactions.

One of the objectives of the Board of Directors is to enter into the Land Register all real estate properties of the Company.

In 2015, this process was accelerated so that by the end of the year, registered lands accounted for over 98.94% of the land owned by the Company and we estimated that in 2016, all lands and buildings of the Company to be registered in the Land Register.

Disputes of the Company are systematically monitored by the Board of Directors so that each meeting had on the agenda at least one point on the main disputes of the Company. The Board of Directors reviewed the options that the Company has in these cases and, where appropriate, hired law firms specializing in such disputes.

Within the company two committees are organized, with the following components:

- Audit Committee: Butoi Nicolae and Prescure Titus
- Remuneration Committee: Mielu Dobrin and Cazacu Dorinel

The Company is managed in single system, the company's executive management is ensured by Mr. Stan Virgil as General Director and Mrs. Narcisa Mosoiu as Deputy General Director. The duties of the General Director and the Deputy General Director are clearly set in the mandate contracts signed with the Company.

Within the Company there is implemented a system of internal control for the main activities and work procedures are established. Internal controls are performed at all levels; the Company has an office of internal financial control and management.

The internal audit activity was outsourced; a contract was signed in this respect with S.C. MAN-CO S.R.L. Bucharest. Internal audit is in direct subordination of the Board of Directors.

The company has joined a Code of Corporate Governance, approved the new Code of Corporate Governance of BSE which came into force starting January 4, 2016.

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The company's accounting reports are prepared by the accounting office and are checked by the chief accountant of the Company. After performing the checks, the financial reports are submitted for approval to the General Director and Board of Directors.

The Company registered on December 31, 2015 a share capital of 57,894,993.9 lei worth, subscribed and paid share capital, representing a total of 578,949,939 registered shares, ordinary, dematerialized and indivisible with a nominal value of 0.1 lei / share.

The Company observes, thus, the provisions of Article 10 of Law 31/1990 on companies, regarding the minimum level of the share capital for joint stock companies. All shares can be freely traded on the Bucharest Stock Exchange, without limitations on the ownership of securities, the need to obtain the approval of the issuer or other holders of securities. The company has never purchased its own shares.

During 2015 the share capital did not change, the structure of shareholders on December 31, 2015 was communicated by the Central Depository SA by notice no. 4006 / February 8, 2016 is as follows:

Shareholders	%	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 shareholders legal persons	12.84%	74,306,772	7,430,677.20
Other shareholders natural persons	9.36%	54,206,112	5,420,611.20
TOTAL	100.00%	578 ,949 ,939	57 ,894 ,993.90

The Company has no scheme for granting shares to employees and there are no restrictions on voting rights. It does not also know of agreements between shareholders which may result in restrictions on the transfer of securities and / or voting rights.

The appointment or replacement of the members from the Board of Directors as well as the amendment of the articles of incorporation are under the legal provisions, the Company does not have special rules in this regard. So far, the proposals regarding the members from the Board of Directors have been made by the majority shareholder, the appointment is decided by the General Meeting of Shareholders. Chairman of the Board of Directors is elected by vote by the board members.

Board members have responsibilities on the issue or buy back of shares. The management agreement stipulates that if the Company or its directors interrupt the execution of the warrant, without just cause, by dismissal or waiver, they will be answerable to the other party of damages due.

The Company has no agreements which come into effect, change or cease depending on the change of control of the Company.

The General Meetings of Shareholders are carried out as follows:

- the list of shareholders is checked, the list of share capital which each member represents and finding the fulfilment of legal requirements and provisions of the Articles of Incorporation to hold the general meeting.

- the agenda of meeting is presented items and they subject it to vote;

- GMS decisions are taken by open vote, except for the appointment of directors and financial auditor which required mandatory secret vote.

- results of voting are checked and shall be recorded in the minutes of the meeting.

According to the provisions of Law 31/1990 and the articles of incorporation, AGOA has the following main responsibilities:

- a) to discuss, approve or modify the annual financial statements, based on reports submitted by the board of directors and of the financial auditor, and determine the dividends;
- b) to elect and dismiss board members, appoint or dismiss the financial auditor and determine the minimum term of the financial audit contract;
- c) to set the remuneration due for the current financial year of the board members;
- d) to decide on the management of the board of directors;

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- e) to determine the income and expenditure budget and, where appropriate, the work schedule for the next financial year;
- f) to decide the pledge, lease or dissolution of one or more units of the Company.

Shareholders have non-property rights (the right to participate in general meetings of shareholders, the right to vote, the right to information) and property rights (the right to dividends and the right to dispose of the shares).

7. Conclusions and proposal for profit distribution of the Company

In 2015 the Company operated its activity in accordance with the articles of incorporation, the decisions of the GMS, the Income and Expenditure Budget, in compliance with the legislation in force on the organization and reflection in accounting of specific activity as well as the regulations of the capital market.

Given the above, the Board of Directors proposes for approval:

- 1. Coverage of uncovered loss from previous years in the amount of lei 11,289,509.54 with surplus from revaluation reserves.**
- 2. Distribution of net profit in the amount of lei 4,368,054.21:**

- **The legal reserve** in accordance with Article 183 of Law 31/1990 on Companies, republished: **lei 284,393.68**
- **Distribution of dividends to shareholders** **lei 3,126,329.67**
- **Distribution to fund development** **lei 957,330.86**

CHAIRMAN OF THE BOARD OF DIRECTORS

Eng. Mielu Dobrin

The undersigned STOICA ELENA ALINA, interpreter and translator authorized for English and French, under authorization no. 24079/2011 issued by the Ministry of Justice of Romania, certify the accuracy of the translation of the herein document from Romanian to English, the presented text has been fully translated, without omissions, and the translation does not distort the content and meaning of the text.

Authorized interpreter and translator
Stoica Elena Alina