



## SC THR Marea Neagra SA Administration Board Report on individual financial situations made out for the year 2015

**Annual report according to:** the Accountancy Law 82/1991, OMFP 1286/2012 on approving the Accounting Regulations as per International Standards for tax compliance, applicable to trading companies whose transferable securities are accepted for transactions within a regularized market, Law 297/2004 on capital market and CNVM Regulation no. 1/2006 on issuers and transferable securities operations.

For the financial exercise: **2015**

Name of the trading company: ***Tourism, Hotels, Restaurants “Marea Neagra” S.A.***

Registered office: **29th Lavrion Street, Mangalia , Constanta County**

Phone/fax number: **0241-75.24.52 / 0241-75.55.59**

Unique registration code with the Trade Register Office: **2980547**

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

Regularized market whereon issued transferable securities are transacted: **Bucharest**

### **Stock Market**

Subscribed and paid-in share capital: **57.894.993,9 lei**

Main characteristics of the transferable securities issued by the trading company:

indivisible, dematerialized, ordinary, nominative equities with a nominal value of 0,1 lei/equity.

### **1. Analysis of the trading company’s activity**

#### **1.1.**

a) Outline of the main activity of the trading company

The main activity of the company is NACE code 5510 -”Hotels”-, respectively recreational tourism, hydropathical treatment, food service and accommodation services.

The activity is carried out through the working points of the company, registered and classified in accordance with the normative acts in force, while possessing all operating permits stipulated by the legislation in force.

b) Date of the company's foundation

This trading company was founded on 05.03.1991, by the name of S.C. Eforie S.A.

The company changed its name from Eforie S.A. in THR Marea Neagra S.A. in 2005, according to the Decision of the Delegated Judge to Constanta Trade Register Office no. 10.687/24.01.2005, and during 2011, the company moved its registered office to Mangalia, 29th Lavrion Street, Constanta County .

c) Outline of the significant merging and restructuring

In 2015, no merging or restructuring took place.

d) Outline of assets purchase and/or alienation

Company was constituted by transforming public economic units into trading companies with capital formed by contribution in kind with assets represented by hotels found in bathings resorts along the seashore, brought into service during 1968-1972, as well as nationalized hotel units.

Given the age of the assets and the volume of investments needed to keep these assets within the touristic circuit, the company is unreeling, at the moment, a development and restructuring strategy according to the shareholders' decision.

In 2015, in accordance with the restructuring strategy, the company continued to sell assets but also to modernize certain assets authorized to remain in the patrimony. In 2015, the assets alienated by sale were, as follows:

1. „Saturn” Greenery terrain ( 20.000 sm);
2. „Vulturul” Store (building and terrain).

The profits made by selling the assets were exclusively used to finance the investment program along with other sources of inherent and drawn financing.

### **1.1.1. General assessment elements:**

- a) Gross profit: **5.753.287 lei**;
- b) Total revenue: **42.838.705 lei** of which:  
the turn-over : **34.183.783 lei**

- c) Export : not the case
- d) Total costs: **37.085.418 lei**, of which:
- e) % from the owned market : **12,80%** from the local touristic market
- f) available into the bank account: **1.867.670 lei** ;

The company runs its activity through its working points located in national interest bathing resorts: Eforie Nord, Eforie Sud, Neptun, Venus and Saturn.

Also, the company owns hotel units with a solid position at a national level, some of them having a booming market at a European level.

The activity runs on a seasonal basis, and it is highly related to the seasonal activity of the area, respectively the Romanian seaside of the Black Sea.

In order to fade out the seasonal character, the company oriented its investment programme towards expanding medical services such as hydropathical treatment by utilizing specific hydropathical natural factors, owning, at the moment, 4 treatment units within Hotel Complexes “Hora”, “Balada”, “Sirena” - Saturn and Hotel Complex “Bran-Brad-Bega” from Eforie Nord, the latter being brought into service in 2012.

The operational activity produces revenue leading to a positive financial economical result that is capable to cover all the exploitation costs, but also gain a profit that is mainly used for financing investment programmes.

The seasonal character of revenue producing implies the temporary financing of the incurred source activities, respectively banking credits that are reimbursable as the revenue of the current financial year is being encashed.

### **1.1.2. Evaluation of the trading company’s technical level**

Description of the main products and/or services:

- a) Main outlets for each service and the distribution methods

In 2015, THR Marea Neagra SA exploited in direct management a number of 7.984 accomodations and 10.814 food service positions situated in the bathing resorts along the Romanian seashore of the Black Sea in units classified into 1\*, 2\*, 3\* and 4\* category.

Main inherent products are the recreational (spa, pools, cold mud baths), hydropathical treatment, food service and accommodation service packages.

Touristic products must be promoted by specific means both within the internal and the external market, main partners being the travel agencies, such as Paradis, Creative Eye, Eximtur, Bibi Touring, Marea, Transilvania Hotels &Travel (46,42 % of the touristic circuit) and the

National Office of Public Pensions for the hydropathical treatment products (37 %) and other partners specialized in holidays set-up, business, hydropathical recovery referrals.

An important distribution channel is the online sale by the agency of specialized sites, but also through the company's sales webpage, these are booming channels with great growth potential.

Direct sales at the hotel reception weigh a great deal in sales, especially in weekends, the company being organized in such manner as to receive and solve demands in order to optimally cover its own service capacity.

The touristic product of the main accommodation capacities is also delivered in the external market based upon agreements concluded with external partners – in the European market, the main external partner is Thomas Cook – the second worldwide tour-operator that delivers the touristic products in Germany, Holland, Poland.

b) Weight of the main services categories in total revenue:

Indicators	Achieved (lei)			Weights in total revenue (%)			Weights of the total turn-over (%)		
	2013	2014	2015	2013	2014	2015	2013	2014	2015
<b>Basic total revenue</b>	<b>34.470.857</b>	<b>47.460.009</b>	<b>42.793.291</b>	100,00	100,00	100,00			
<b>Turn-over, of which:</b>	<b>28.157.727</b>	<b>29.559.945</b>	<b>34.183.783</b>	81,69	62,28	79,88	100,00	100,00	100,00
accommodation	15.021.252	17.231.591	20.878.291	43,58	36,31	48,79	53,35	58,29	61,08
meal	9.361.993	8.731.786	9.659.528	27,16	18,40	22,57	33,25	29,54	28,26
rent	315.110	367.410	526.661	0,91	0,77	1,23	1,12	1,24	1,54
Other revenue enclosed within the turn-over	3.459.371	3.229.158	3.119.304	10,04	6,80	7,29	12,29	10,92	9,13

Total revenue encloses, beside the turn-over and other revenue, gains coming from fixed assets production and gains from assets sale. The latter revenue has decreased in 2015, therefore the weight of the turn-over in total revenue has increased during the analyzed period from 62,28% to 79,88 % in 2015. Within the turn-over, the accommodation and food service revenue has the biggest weight. During the analyzed period, the weight of the two revenue categories has an ascending trend, the cumulated revenue from accommodation and food service representing approximately 90 % of the turn-over.

Analyzing the structure of the turn-over, we see an ascending evolution, the accommodation revenue varying by 11,54% unto last year and the weight increase from 58, 29% in 2014 to 61,08 % this year, the food service makings register a descendant trend, with a 28, 26% weight unto a 29, 54% weight registered last year.

The decrease of food services revenue is registered within the internal travel agencies distribution channel due to an increasing touristic circulation in this channel by 33,69 % motivated by the demand of the supply market, respectively booking holiday packages only with breakfast included or free from meal services. This decrease has external causes against the reduction of purchasing power and the competitive market which, by eluding fiscal legislation, practices dumping prices, and on the other hand, the areal supermarkets.

#### c) New products and the process phase thereof

The investment programmes of the company are oriented towards hydropathical tourism by developing the existent capacities, as these programmes priority is the increase of the capacities occupancy rate and the occupancy period. In that sense, the investment programme comprised the expansion of the treatment unit within the Hotel Complex “Bran-Brad-Bega” by completing a modern hydrotherapy ward which was brought into effect in 2014. On the other hand, the company’s priority is the modernization of the existent capacities, therefore, within the investment programme, the company is set to finalize the modernization of Narcis complex ( 175 rooms), as well as other modernization and endowment works meant to ensure the comfort requirements provided by the normative acts for food services and accommodation units classification.

### **1.1.3.Evaluation of material and technical supplying activity**

The material and technical supplying was mainly based on inland sources of raw materials by only a few exceptions, respectively investments for which we resorted to import sources.

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

Purchases were effectuated from traditional suppliers, producers or direct importers, big companies accredited for materials referred to, ISO certified according to European norms and standards.

Suppliers are selected by a selection committee based upon certain criteria and certain punctation that should mainly reflect the price/quality ratio.

As regards the safety of the supplying sources, we state that all purchased raw materials are accompanied by conformity certificates, warranty certificates, control slips.

Raw material stocks are minimal considering the extra-season period.

#### **1.1.4.Evaluation of the sale activity**

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

The company has unfolded its activity based upon touristic services agreements concluded with travel agencies, National Office of Public Pensions (the treatment agreement), external tourism, other beneficiaries, online sales. In 2015, in comparison with the BVC and the accomplishments of the last year, the touristic circulation is as follows:

<b>Tourist-days</b>	<b>CNPP</b>	<b>Agencies</b>	<b>Foreigners</b>	<b>Inherent account</b>	<b>Other beneficiaries</b>	<b>TOTAL</b>
<b>Effectuated on 31 dec 2015</b>	<b>161.938</b>	<b>187.486</b>	<b>11.644</b>	<b>33.787</b>	<b>34.076</b>	<b>428.931</b>
<b>BVC 2015</b>	150.240	196.170	16.650	38.370	28.940	430.370
<b>Differences: effectuated 2015-BVC 2015</b>	11.698	-8.684	-5.006	-4.583	5.136	-1.439
<b>Percentage effectuated 2015/BVC 2015</b>	<b>107,79</b>	<b>95,57</b>	<b>69,93</b>	<b>88,06</b>	<b>117,75</b>	<b>99,67</b>
<b>Effectuated on 31 dec 2014</b>	161.883	149.897	16.268	28.318	25.465	381.831
<b>Differences: effectuated 2015-effectuated 2014</b>	55	37.589	-4.624	5.469	8.611	47.100
<b>Percentage effectuated</b>	<b>100,03</b>	<b>125,08</b>	<b>71,58</b>	<b>119,31</b>	<b>133,82</b>	<b>112,34</b>

<b>2015/effectuated 2014</b>						
<b>Percentage BVC</b>						
<b>2015/effectuated 2014</b>	<b>92,808</b>	<b>130,870</b>	<b>102,348</b>	<b>135,497</b>	<b>113,646</b>	<b>112,712</b>
<b>Differences BVC 2015- effectuated 2014</b>	-11.643	46.273	382	10.052	3.475	48.539
<b>Weights in structure 2015</b>	<b>37,75</b>	<b>43,71</b>	<b>2,71</b>	<b>7,88</b>	<b>7,94</b>	<b>100,00</b>
<b>Weights in structure 2014</b>	<b>42,40</b>	<b>39,26</b>	<b>4,26</b>	<b>7,42</b>	<b>6,67</b>	<b>100,00</b>

As one may observe, in 2015, we achieved a touristic circulation of 428.931 tourist-days, up by 12 % in relation to that achieved in 2014.

Analyzing the touristic circulation, one can note:

- The treatment agreement concluded with the National Office of Public Pensions ensured a touristic circulation of 161.938 tourist-days, by 11.698 more than the budgetary provision, considering the completion level of the agreement was 96 %. This high level of completion is also effected by the company's policy of completing each series, redistributing unto the following series, materialized in addenda so that we maximize the completion level of the agreement.

- Touristic circulation has increased by means of travel agencies by 25% unto the previous year from 149.897 tourist-days in 2014 to 187.486 tourist-days in 2015. The tariff and contract policy created challenging conditions for the tour-operator agencies consisting in:

- facilities for families with children;
- "Early booking" programme;
- restriction to a maximum of 20 % for agencies sales commissions in relation to contract rates;
- non-commissioning of food services by the beneficiary, the service provider offering a 13% commission for those;
- granting additional discounts at the end of the season.

In order to exhilarate sales, we launched several special offers: "1st of May at the seaside", "Whit Sunday Offer", linear offer "Seaside for everybody", spring and autumn editions.

Concurrently, we entered the national programmes launched by FPTR and OPTBR, respectively „Seaside for everybody”, „Balneary Decade” , „The recovery week”, „ Let's go bathe,,.

- As regards the external tourism, 11.644 tourist-days were achieved unto 16.650 budgetary tourist-days and 16.268 achieved in 2014, presenting a completion level of 69.93 %, against a general drop of the external touristic circulation.

- The on-line sales registered the most spectacular uprise in 2015 unto 2014 (194%), this sales channel is continuously expanding due to increasing usage of social networks and intelligent devices. Provided for the last years experience regarding online booking through Booking.com, in 2015, we also concluded contracts with other booking websites operators. These contracts were concluded for all the hotels owned by the company which generated a doubling of the touristic rush of customers by the agency of this channel in comparison to last year.
- The company also concluded contracts with other beneficiaries (unions, associations, sport federations, etc) based upon which we attained a touristic circulation of 34.076 tourist-days, in relation to 28.940 budgetary tourist-days and 25.465 tourist-days attained in 2014 which represents 117 % unto the budgetary provisions and a superior percentage in comparison with the previous season (133 %).
- Pursuant to the fact that hotels were contracted and capitalized by means of tourists arrived with tickets from the National Office of Public Pensions by supplementing the contract, concomitantly with the uprise of touristic circulation in the travel agencies segment, we attained 33.787 tourist-days unto 38.370 budgetary tourist-days and 28.318 tourist-days attained in 2014 and a 88% completion of the budgetary provisions.

Another indicator of touristic circulation – the number of tourists, registered an evolution similar with that expressed in tourist-days, both in total and in partners structure, and the medium stay registered rates that are similar to last year.

<b>Explanations</b>	<b>Treatment</b>	<b>Agencies</b>	<b>Foreigners</b>	<b>Inherent account</b>	<b>Other beneficiaries</b>	<b>Online</b>	<b>TOTAL</b>
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%



Medium  
stay

<b>Explanations</b>	<b>Treatment</b>	<b>Agencies</b>	<b>Foreigners</b>	<b>Inherent account</b>	<b>Other beneficiaries</b>	<b>Online</b>	<b>TOTAL</b>
Medium stay 2015	16	5.98	7.77	2.83	5	3.72	7.26
Medium 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

Touristic circulation had an uprising evolution in all distribution channels, during the entire period of contracts performance, for all extended touristic products, in 2015, the medium occupancy rate being 59 %.

In the years to come we will bear in mind the adaptation of the tariff and contract policy with the market demands, also creating challenging conditions for the tour-operator agencies, by granting volume discounts, facilities for families with children, a policy for early booking, disposal of commissions to exhilarate sales and creating advantages on food services sales.

*b)Description of competitive situation and main competitors*

The company runs its activity in an area where the main activity is our object of activity, respectively recreational tourism, food service and accommodation services, main attraction being the beach and the water quality of the Black Sea, as well as the curative qualities of the main natural resources of hydrotherapeutic treatment, the mud from Techirghiol, the water of Lake Techirghiol, the sulphurous mezothermal water, the sea water and the salt-water aerosols.

The real competition is represented by the external market with similar products, the tariff policy makes the difference, as we identified, to that end, the Bulgarian seaside as our main competitor.

The Bulgarian market's advantage is a slightly lower level of prices corroborated with a market that stands on a different level of prices, a reduced inland revenue.

The company weights a great deal within the market, of about 12.80 %, being strongly anchored onto the market both externally and internally, owning over 50% of the Romanian

market of the biggest external tour-operator within the Romanian market, Thomas Cook, the second worldwide tourism operator.

*b) Description of any significant dependence of the company upon a single client or upon a group of clients whose loss would have a negative impact on the company's gains*

The touristic products of THR have a national distribution area, being available on all distribution channels (travel agencies, sites, direct sales, etc). Therefore, losing one client will not significantly affect the distribution of the touristic product.

The National Office of Public Pensions weights a great deal in our portfolio. Considering that this partner's public acquisitions are made for retiring persons within the public section, the non-acquisition by this Office of these services does not annul the supply demand. Treatment is a continuous and necessary process, therefore the product will be put out in other distribution channels, so that the consumer may purchase the needed product.

Corroborated with the fact that our hydrophatic treatment product is customized, known and tested by the market, we will not have major difficulties with negative impact upon revenue should any of our partners recede from the market.

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

a) As to human resources in 2015, in comparison to 2014, the evolution is as follows:

Crt. No.	Indicator	Medium no. on 31.12.14	Medium no. on 31.12.15	No. of employees on 31.12.15
<b>A</b>	<b>No of permanent personnel of which:</b>	<b>125</b>	<b>117</b>	<b>118</b>
1	Tesa Personnel	43	41	40
2	Operativ Personnel	82	76	78
<b>B</b>	<b>No of seasonal employees</b>	<b>204</b>	<b>237</b>	<b>31</b>
	<b>Total</b>	<b>329</b>	<b>354</b>	<b>149</b>
<b>C</b>	<b>Administrators</b>	<b>4</b>	<b>5</b>	<b>6</b>

In comparison to 2014 , one can observe an increase of the medium number of employees (107,60 %) predominantly the seasonal operative personnel, an increase that is proportional to the turn-over increase level that was obtained in a percentage of 115,64%.

Gross salaries dynamics in comparison with attained revenue:

<b>Crt. No.</b>	<b>Indicator</b>	<b>2014</b>	<b>2015</b>	<b>%</b>
1	Expenditure with gross salaries	5.024.112	6.160.974	122,63
2	Medium number employee	329	354	107,60
3	Labour efficiency (lei/employee)	89.848	95.564	107,47
4	Monthly gross average salary (lei)	1.274,00	1.448,64	113,71
5	Gross average national salary	2.298	2.415	105,09
6	Gross minimum national salary (lei)	900	1050	116,67

Gross salary expenditure had an evolution proportional to the achievement level of revenue from the basic activity, a similar evolution was also registered by the average number of employees indicator, labour efficiency registering a 7,474 % increase. Gross average salary indicator registered a 13,71% uprise, mainly upon the increase of the national minimum wage, given the big ponderosity of the operative personnel remunerated at this level.

The medium number of employees in 2015 also comprise employees of the technical department who attained investments in domestic regime, expenditure with their salaries being comprised within the value of the attained investments. They did not contributed to the attainment of the turn-over, but they are added in the number of employees and they influence the labour efficiency calculation.

b) Relations between the manager and the employees are based on communication, engagement and team spirit, by observing the rules and labour procedures established by domestic regulations, job description, free from any conflictual elements, being regularized through individual labour agreements.

### **1.1.6. Evaluation of aspects related to the impact of the basic activity of the issuer upon the environment.**

The basic activity of T.H.R.Marea Neagra S.A. runs by observing the legislation in force regarding the environment protection standards, and by obtaining the environmental certificates needed for each type of activity and for each working point.

The company identified all its activities that may have a potential impact on the environment and regularized them according to the SR EN ISO 14001:2005 standards by the agency of inherent procedures.

At the moment, the company is not involved in any current or foreseeable litigations on breaching the legislation on environment protection.

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

Our company is constantly looking for solutions for cutting out costs, but also for attracting new clients. Our company implemented alternative solutions for electric energy production, respectively thermic energy for preparing hot domestic waters by solar energy, this solution being on the verge of expanding. Concurrently, seeing that the local authorities finalized resorts' gas supply investment, the company considers junctioning heating stations to the gas network, followed by a positive impact on the environment.

Also, the company implemented the integrate information system for all food service and accommodation units with main partners' information systems (National Office of Public Pensions, tour-operator agencies), therefore, one can attain real time information on capitalization of touristic packages and their redistribution according to demands as well as reconfiguration of the tariff and sale policy.

In 2015, the company effectuated significant investment worth 17.215.995 lei with VTA, the most important being: the modernization of 104 rooms of Narcis Complex, the modernization of Semiramis, Tosca and Aida Hotel, specific equipment and endowment, as well as the purchase and implementation of Opera programme.

Investments were effectuated within the following objectives:

<b>Crt. No.</b>	<b>Investment Objectives</b>	<b>Effectuated on 31.12.2015</b>
1	Complex Narcis – interior installations works (104 rooms) and exterior works - balconies, waterproofing, furnishings	9,867,738
2	Hotel Semiramis – sanitary installations works and bathrooms construction works	851,833
3	Hotel Tosca- sanitary installations works and bathrooms construction works	946,503
4	Hotel Aida – bathroom doors and shelves for the room vestibule	251,443
5	Hotel Diana - sanitary installations works	68,113
6	Hotel Venus - sanitary installations works	282,028
7	Designing balconies + parking lots	20,211
8	Opera hote administration programme + endowments	573,902
9	Hotel Bran - chiller	316,436
10	Other exterior construction works, waterproofing, electric installation and endowment	1.127.418
	<b>Total investments without VTA</b>	<b>14.305.624</b>
	VTA	3.345.971
	<b>Total investments</b>	<b>17.651.595</b>

For financing investments, the following inherent financing sources were used:

<b>Explanations</b>	<b>Value(lei)</b>
Cash-flow generated by selling assets with installment/integral payment (with VTA) after paying corporate tax	8.596.314
Amortization	6,375,386
<b>Inherent financing sources</b>	<b>14.971.700</b>

The **2,679,895** lei difference between the total investments of **17.651.595** lei and the total inherent financing sources (left after paying the previous years investments and the dividends to shareholders) of **14.971.700** lei, was ensured by banking credits.

Amounts encashed from assets sales were exclusively used for financing the company's investments.

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

The company's board has always ensured and still ensures a safe management of liquidity risk by permanently assuring sufficient cash inflow, so that it may pay in good time all due payments.

The purpose of evaluating risks is that of identifying the significance level and the effects of the risks assumed by the company within the investment activity.

The company may stumble upon uncontrollable risks that are generally associated with external factors such as macro-economic conditions, legislative changes, changes related to competitors environment, etc. Usually, the company confronts controllable risks for which active administration procedures and policies are adopted (analysis, monitoring and control). These risks are associated with internal factors like the nature of the unfolded activity, complexity of organizational structure, personnel quality, etc.

Company is mainly exposed to the following risks:

- Currency risk
- Rate of interest risk
- Credit risk
- Liquidity risk
- Operational risk

#### Currency risk

The company is slightly exposed to fluctuations of the exchange rate, mainly in case of receivables and bonds in different currencies as well as receivables and bonds in LEI (Romanian currency), but which are consolidated by contracts in relation to other currencies, usually in EURO and/or USD. Ponderosity of effectuated transactions or consolidated in other currencies is low, therefore this risk does not have great impact.

#### Rate of interest risk

The company's operational cash flow are affected by the variations of the interest rate, mainly in case of credit lines concluded depending on the ROBOR rate. For the past years, the ROBOR reference rate had a relatively constant trend which makes that risk quite low. Also, in order to sell a part of the assets, the company concluded sale agreements by installments whereon interest is calculated in terms of the ROBOR rate, therefore we reduced the rate of interest risk.

#### Credit risk

The credit risk is represented by the risk of registering losses or not achieving the estimated profits in consequence of not fulfilling financial obligations. THR Marea Neagra SA sold assets with installments payment for which it calculates and cashes interest. Rest of price associated with contracts and interests are guaranteed by mortgages constituted upon assets in favour of THR, therefore the non-cashing risk is low.

#### Liquidity risk

Liquidity represents the company's capacity to ensure necessary funds for fulfilling all its direct and indirect payment obligations, at a reasonable price, at all times. The liquidity risk is the current or potential risk whereat company's profits and capital may be subjected to, pursuant to its impossibility to fulfill its due date payment obligations. The company permanently assured a balance between its financing sources and its short term needs, therefore it always possessed liquidities for the fulfillment of financial obligations. The company elaborates, on a monthly basis, forecasts of the cash-flow for periods varying from 6 months to 1 year, therefore it can detect in good time an eventual lack of liquidities and can take precautionary measures.

#### Operational risk

The operational risk is defined as the risk of registering losses or not achieving the estimated profits due to internal factors such as improper performance of certain internal activities, existence of feeble personnel or systems or due to external factors such as economic conditions, changes on the capital market, technological breakthrough. Operational risk is incidental to all the activities of the company.

The policies defined for administrating the operational risk considered each type of event that may generate significant risks and its forms of manifestation in order to eliminate or diminish financial losses or reputation related losses.

### **1.1.9. Perspective elements regarding the company's activity**

One of the products with a future great development potential is balneary tourism. Company's units are located in resorts with natural treatment factors. The company has identified this opportunity and obtained permits to exploit these natural resources, while extending the capacity of treatment units so we may cope with demands of such services.

This segment (balneary tourism) will help us attract foreign tourists, especially from the European region. European Directive no. 24/2011 receives the patients' rights within cross-border medical assistance, assuring the legal framework for the European citizens' right to benefit from medical services in all European Union's countries. One of the company's main concerns is to attract tourists from this segment.

Another development direction is recreational tourism that constitutes a priority for the company as we have a project to rearrange the ambiantal setting, inclusively the development of the recreational facilities. A major concern of the company is the expansion of the distribution channels. The company is always looking for new clients, but also seeks to consolidate the relation with the current clients.

## **2. Company's tangible assets**

### **2.1. Main food service and accomodation capacities of the company that are within the touristic circuit in 2015:**

#### **Accomodation units:**

- two 4\* hotels, with a total capacity of 992 accomodations
- seven 3\* hotels, with a total capacity of 3.220 accomodations
- fourteen 2\* hotels, with a total capacity of 3496 accomodations
- one 1\* hotel, with a total capacity of 276 accomodations

#### **Food service units:**

- three 4\* restaurants, with a total capacity of 1.440 seats
- seven 3\* restaurants , with a total capacity of 3.855 seats
- seven 2\* restaurants, with a total capacity of 4446 seats
- one 2\*bar room, with a total capacity of 170 seats
- one 1 \* bar room, with a total capacity of 60 seats
- two 4\* lounges, with a total capacity of 120 seats



- seven 3\* lounges, with a total capacity of 466 seats
- four 2\* lounges, with a total capacity of 257 seats
- one 3\* snack-bar, with a total capacity of 100 seats

### Recreational units:

- three aqua parks, with a total capacity of 850 seats.

### Hydropathic treatment units:

- four treatment units: Bran-Brad-Bega Complex, Hora, Balada and Sirena with a total capacity of 5.350 procedures per day.

Overall, in 2015, the company had in its touristic circuit a number of 7.984 accomodations and 10.814 food service positions, the resorts distribution being presented below:

Classification range	Eforie Nord		Eforie Sud		Neptun		Venus		Saturn		Total general	
	units	head	units	head	units	head	units	head	units	head	units	positions
****	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
<b>Total accomodation</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>24</b>	<b>7984</b>

Classification range	Eforie Nord		Eforie Sud		Neptun		Venus		Saturn		Total general	
	units	head	units	head	units	head	units	head	units	head	units	positions
<b>Restaurants</b>												
****	2	600	0	0	0	0	0	0	1	840	3	1440
***	0	0	0	0	1	770	0	0	6	308	7	3855
**	1	900	1	228	0	0	3	1358	2	196	7	4446
<b>Total Restaurants</b>	<b>3</b>	<b>1500</b>	<b>1</b>	<b>228</b>	<b>1</b>	<b>770</b>	<b>3</b>	<b>1358</b>	<b>9</b>	<b>588</b>	<b>17</b>	<b>9741</b>

Classification range	Eforie Nord		Eforie Sud		Neptun		Venus		Saturn		Total general	
	units	head	units	head	units	head	units	head	units	head	units	positions

<b>Lounges</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	2	105	1	32	4	257
<b>Total lounges</b>	<b>2</b>	<b>200</b>	<b>0</b>	<b>0</b>	<b>1</b>	<b>106</b>	<b>2</b>	<b>105</b>	<b>8</b>	<b>432</b>	<b>13</b>	<b>843</b>
<b>Bar rooms</b>												
**	0	0	0	0	0	0	0	0	1	170	1	170
*	0	0	1	60	0	0	0	0	0	0	1	60
<b>Total bar rooms</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>2</b>	<b>230</b>
<b>Total food service</b>	<b>5</b>	<b>1700</b>	<b>2</b>	<b>288</b>	<b>2</b>	<b>876</b>	<b>5</b>	<b>1463</b>	<b>19</b>	<b>657</b>	<b>32</b>	<b>10814</b>

## 2.2 Description and analysis of effeteness level of the company's properties

The company's assets are over 45 years of age and were generally built during 1968-1972. The assets within the touristic circuit have classification certificates and legal operating permits, meeting the legal requirements for the respective confort category.

Some assets were modernized within the last 10 years, rising from one or two stars to a three or four stars confort. Effectuated works were quite ample, including reinforcement works, therefore, these have an effeteness level that is lower than their age.

A feature of the activity is the existence of certain productive and auxiliary non-operating units and others that are partially operational which burden the main activity and the economic result, given the investment wantage and the acute lack of funds, the depressed real estate market and implicitly the diminished possibility to capitalize the assets authorized for sale by the company's strategy.

These assets generate both fixed expenses, and variable expenses, necessary for preservation, fixed costs of taxes and fees type, being amended by the Tax Code in 2015 year, with rates between 1,8 - 20%, applied on the accountancy value of buildings and free lands, related to these assets.

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

## 2.3 Specifying the potential problems related to the ownership right of tangible assets of the commercial company.

The main disputes connected to the ownership right upon the company's tangible assets, respectively lands, are on:

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

In all disputes, THR undertook the necessary efforts to defend the right of ownership.

## **Market securities issued by the commercial company**

### **3.1. Specifying markets in Romania and other countries which negotiate the securities issued by the commercial company.**

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

THR Black Sea S.A shares, are listed on II-nd. category of the Bucharest Stock Exchange, since August 15 2002, with the symbol "EFO". In the last trading day of 2015 year, respectively 30.12.2015, at the closing of the Stock Exchange, the THR Black Sea SA shares were listed on the value of 0,0848 lei / share, compared with 0,0588 lei / share on 31.12.2014.

In the past year, the Bucharest Stock Exchange transactions were completed for a total of 20.820.924, compared with 12.849.346 shares, traded in 2014 year, the value of these transactions being 1.349,274.16 lei, compared to 761.387 lei, the value of the transactions carried out in 2014 year, the traded part, being on the segment of 22,29% owned by other shareholders.

### **3.2. The description of the policy of the commercial company's dividends. The specification of dividends which are 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 year, the General Meeting of Shareholders, decided to distribute dividends in the total value of 1.042,109.89 lei and respectively, 0,0018 lei / share, the remaining profit, being used for the establishment of legal savings and reserves for the development of society.

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

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

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

### **3.3. The description of any activities of the commercial company of acquiring its own shares..**

The company has never purchased own shares.

### **3.4. If the commercial company has subsidiaries, the specification of the number and of the nominal value of the shares, issued by the parent company held by subsidiaries.**

The Company is the sole shareholder of S.C. Balneotherapy Saturn S.R.L., being the only owned subsidiary. The Balneotherapy Saturn S.R.L. does not hold any share issued by THR Black Sea S.A.

### **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 commercial company's management**

### **4.1. The presentation of the list of the commercial company's administrators and of the following information for each administrator:**

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

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

The General Meeting of Shareholders of S.C. THR BLACK SEA S.A., held on the date 19.03.2015, approved the revocation of the company's Board of Administrators, formed of Mr. Lucian Ionescu, Mr. Prescure Titus and Mr. Nicolae Butoi, and approved the election of the Board of Administrators, formed of Mr. Radu Toia as Chairman and Mr. Prescure Titus and Mr. Nicolae Butoi, as members for a mandate of 4 years, from 19.03.2015 to 19.03.2019.

The General Meeting of Shareholders of S.C. THR BLACK SEA S.A., held on the date 20.04.2015, approved the management of the company, by a Board of Administration, consisting of 5 members and the completion of the Board of Administrators, by choosing Mr. Cazacu Dorinel and Mr. Mielu Dobrin, for a mandate, equal with the one of the administrators in charge, for a mandate from 20.04.2015 to 19.03.2019.

At the Administration Board, by the decision no. 28 / 20.04.2016, it was approved the appointment as executive administrators, of the gentlemen Butoi Nicolae and Dorinel Cazacu.

During the meeting of the Board of Administration, dated on 05.11.2015, following the resignation of Mr. Radu Toia from his position as administrator and Chairman of the Administration Council of the company, as chairman of the Administration Council, being appointed Mr. eng. Mielu Dobrin.

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

The Board of Directors met in regular sessions, according to the provisions of the Law 31/1990 republished and in accordance with the Constitutive Act.

The Board of Administration, monitored the operational and financial performances of the executive management, through indicators and performance criteria, set in the Budget of revenues and expenses and of other approved programs. All the efforts of the Board of Administration 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 programme, in terms of a real protection of the surrounding environment.

The Board of Administration, followed the achievement of the work program, proposed for 2015 year, the execution of the monthly and quarterly revenue and expenses budget, and of the investment program and approved repairs.

The provisional and organization effort of the Board of Administration, resulted in programs for future development of the company, marketing programs, computerization programs, promotion and recruitment programs of the personnel, and for the increasing of the quality of the tourism 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 due to whom that person was appointed administrator;*

It's not necessary.

*c) Administrator's participation in the commercial company's capital;*

Mr. Mielu Dobrin, Chairman of the Administration Board, owns 30,000. issued by the company.

*d) list of persons affiliated to the trading company.*

People affiliated to the THR Black Sea S.A. company are:

- SIF Transilvania SA company which owns 77.71% of shares issued by THR Black Sea SA;
- Balneotherapy Saturn S.R.L. company where S.C. THR Black Sea S.A. owns 100% of the issued shares;

**4.2. Presentation of the executive management list of the commercial company. For each of it, the presentation of the following information:**

The Company's executive management, was provided until the date of date of 30.01.2015, by Mrs. Stan Linica – General Director, under the mandate agreement, concluded under the provisions of the Law 31/1990, regarding the commercial companies.

The Board of Administrators, convened on the date of 05.02.2015, decided to assign with mandate contracts, Mr. Mihai Zamfir, in the position of General Director, for the period

05.02.2015 - 02.05.2016 and Mrs. Stan Linica as chief administrator for the period of 01.02.2015- 31.12.2015.

At the Administration Board meeting, on the date of 07.02.2015, it was decided the revocation, starting with the date of 03.07.2015, of the General Director's mandate, of Mr. Zamfir Mihai, Mr. Stan Virgil, being called in the general Director's position, for a mandate of 3 months.

At the Administration Board meeting, on the date of 30.09.2015, it was decided the extension of the the general director's mandate of Mr. Stan Virgil, till the date of 30.09.2016.

The Administrative Council from the meeting on 19.10.2015, took note of the resignation of Mrs. Stan Linica and of the termination of this mandate contract and in the meeting on 25.11.2015, it decided the appointment as Deputy General Director of Mrs. Mosoiu Narcisa Georgiana, with a mandate contract, for the period of 02.12.2015-30.09.2016.

The economic department leadership 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 the Law 31/1990 regarding the commercial societies, the contract that expires on the date of 30.09.2016.

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

It's not necessary.

*b) participation of the respective person in the commercial company's capital.*

From the executive management, Mr. Stan Virgil has a number of 366 shares, Mosoiu Narcisa Georgiana holds a number 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., the indication of possible 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 its duties within the issuer.**

It's not necessary.

## 5.Financial-accountancy statement

In 2015 year, THR Black Sea S.A. had organized the accounting under OMF 881/2012 and OMF 1286/2012, to approve the accounting regulations, in accordance with International Financial Reporting Standards, applicable to commercial companies, whose values are admitted to trading on a regulated market. With these orders, it was stated that the companies whose securities are quoted on the regulated market, among which there is THR Black Sea S.A., are required to prepare the financial statements, in accordance with the above-mentioned regulations.

The financial statements were audited by S.C. A.B.A. Audit S.R.L.Timiş oara.

The situation in the dynamics of the main assets on 31.12.2015, compared to similar items in the years 2013 and 2014, is as follows:

lei					
ASSET	Value on 31.12.2013 (lei)	Value on 31.12.2014 (lei)	Value on 31.12.2015 (lei)	Variation 2015/201 4 (%)	Share 2015 total of assets (%)
Intangible assets	19,791	1,872	579,393	30944.50 %	0.23%
Tangible assets	214,213,92 4	201,232,49 3	230,551,78 4	114.57%	90.20%
Real estate investments	3,109,159	3,351,613	3,337,958	99.59%	1.31%
Financial assets	2,000	2,000	2,000	100.00%	0.00%
<b>FIXED ASSETS TOTAL</b>	<b>217,344,87 4</b>	<b>204,587,97 8</b>	<b>234,471,13 4</b>	<b>114.61%</b>	<b>91.73%</b>
Stocks	1,239,024	929,254	652,446	70.21%	0.26%
Receivables	11,495,486	6,409,908	14,485,605	225.99%	5.67%
Financial assets	1,336	1,336	1,336	100.00%	0.00%
Cash	244,113	11,381,547	1,888,056	16.59%	0.74%
Assets classified as held for sale	11,437,218	7,350,672	4,073,434	55.42%	1.59%



Expenses registered in advance	42,462	34,954	42,070	120.36%	0.02%
<b>TOTAL OF CURRENT ASSETS</b>	<b>24,459,639</b>	<b>26,107,670</b>	<b>21,142,946</b>	<b>80.98%</b>	<b>8.27%</b>
<b>TOTAL OF ASSETS</b>	<b>241,804,513</b>	<b>230,695,648</b>	<b>255,614,080</b>	<b>110.80%</b>	<b>100.00%</b>

Within the company's assets, the largest share is formed by fixed assets (91.73%), mainly lands and buildings, the share of current assets being of 8.27%.

On 31.12.2015, at the fixed assets, we ascertain an increment by 14.61%, compared to 2014 year, due to investments made to fixed assets, to intangible assets, by purchasing licenses for the hotel management, as well as, the reevaluation of assets and of lands, for determining a fair value on 31.12.2015.

Analyzing the structure, the tangible assets represent 89.25% of total fixed assets. The increment of fixed assets, is given by the value of investments of 13,954,334 lei, made in 2015 year, as well as, by the reevaluation of assets (buildings) and lands and the balance of assets on 31.12.2015 is influenced by the patrimony exits, on the way of depreciation of fixed assets for the year, of sales of assets (Eagle Store) and disposal of fixed assets.

The International Financial Reporting Standards (IFRS) require the reclassification of some assets, depending on their way of usage.

The assets classified as investment property, respectively for rent, were evaluated by an appraisal expert, in order to present the fair value of the property on the date of the financial statements' drafting. The increase in fair value of assets reclassified as investment property, will be recognized in the profit and loss account.

At current assets, it is ascertained a decrease compared to the level achieved in the previous year. The decrease of the inventory levels compared with the beginning of the year, is determined by the use of purchased stocks for the performed investments.

Also, we notice a reduction in assets held for sale category, included in the category of stocks from 7,350,672 lei in 2014 year, to 4,073,434 lei in 2015 year, as a result of selling the land area of 20,000 sqm. Sera Saturn, a reclassified society in 2014 year, and also maintaining in 2015 year, in the category of assets held for sale, the Neptun Hotel, Alpha Hotel and Beta Hotel, too, with the related lands.

The company's claims, consist mainly of rates, related to the assets' sales, with payment in installments (installments in a value of 7.015.14630 lei, which have final maturities after 01.01.2015) and of claims for the state budget, represented by VAT to be recovered, of

2.990. 516.68 lei (due to performed investments and purchases, its subtraction, being, on one side, from VAT recovery, and on the other side, from reaching the maturity of the sale-purchase agreements, of assets with payment in installments). In 2011-2012 years, the company sold a portfolio of shares, held for sale, so, it remained only a small package of shares, not listed on the stock exchange. The decrease of the available funds in 2015 year, is explained by using the own availabilities, in order to diminish the withdrawal from the credit line, for which we pay interests.

In 2015 year, the liabilities had the following evolution:

lei

LIABILITY	Value at 31.12.2013 (lei)	Value at 31.12.2014 (lei)	Value at 31.12.2015 (lei)	Variation 2015/2014 (%)	Share 2015 total of liabilities (%)
<i>Subscribed and paid share capital</i>	57,894,994	57,894,995	57,894,995		22.65%
<i>Share capital adjustment, according to the application of IAS 29</i>	0	0	85,945,333		33.62%
<b>Total capital gratuities, of which:</b>	<b>1,895,814</b>	<b>1,895,814</b>	<b>1,895,855</b>	<b>100.00%</b>	<b>0.74%</b>
<i>Issue and fusion gratuities</i>	1,895,814	1,894,814	1,894,814		0.74%
<i>Capital inflated gratuities, according to the application of IAS 29</i>	0	0	41		0.00%
<b>Total savings of which:</b>	<b>16,589,616</b>	<b>17,573,064</b>	<b>21,308,421</b>	<b>121.26%</b>	<b>8.34%</b>
<i>Legal savings</i>	3,921,283	4,238,921	4,523,314		1.77%
<i>Other savings</i>	12,668,334	13,334,143	16,785,107		6.57%
<i>Inflated gratuities, according to the application for the first time of IAS 29</i>	0	0	16,745,901		
<i>Inflatated legal savings, according to the application of IAS 29</i>	0	0	1,280,018		
<i>Other legal savings, according to the application of IAS 29</i>	0	0	15,465,883		6.05%
<b>Differences from total reevaluation, of which:</b>	<b>112,827,249</b>	<b>99,523,391</b>	<b>113,989,110</b>	<b>114.53%</b>	<b>44.59%</b>
Reevaluation differences 2015 year			17,818,925		
<i>The result, reported with the exception of the reported result, out of the adoption for the first time of IAS 29</i>	<b>42,067,267</b>	<b>41,931,136</b>	<b>47,084,787</b>	<b>112.29%</b>	<b>18.42%</b>
<i>Come from the accountancy errors' correction from the previous years</i>	-1,855,798	-9,813,664	-7,114,719		-2.78%
<i>Surplus acquired from reevaluation savings</i>	47,116,118	54,937,852	58,374,296		22.84%
<i>Come from the passing to IFRS</i>	-3,193,052	-3,193,052	-3,193,052		-1.25%
<i>The reported result, come from of the adoption for the first time of IAS 29</i>	0	0	102,691,275		
<b>The exercise's result</b>	<b>714,345</b>	<b>5,794,927</b>	<b>4,368,054</b>	<b>75.38%</b>	<b>1.71%</b>
<b>Other elements of private capitals</b>	<b>-11,315,159</b>	<b>-10,858,900</b>	<b>-13,364,773</b>	<b>123.08%</b>	<b>-5.23%</b>
<b>Total of Private Capitals</b>	<b>220,674,126</b>	<b>213,754,426</b>	<b>233,176,408</b>	<b>109.09%</b>	<b>91.22%</b>
<b>Medium and long-term debts</b>	<b>11,600,039</b>	<b>10,994,247</b>	<b>14,243,171</b>	<b>129.55%</b>	<b>5.57%</b>

Short term debts	9,530,348	5,946,976	8,194,503	137.79%	3.21%
<b>TOTAL LIABILITY</b>	<b>241,804,513</b>	<b>230,695,649</b>	<b>255,614,081</b>	<b>110.80%</b>	<b>100.00%</b>

Within the liabilities elements, the largest share equity, is held by the private capitals (approximately 91, 26%), the share capital, representing 22.56% of the total liabilities of the company.

On 31.12.2015, the company proceeded to the capital restatement, according to IAS 29 provisions " The financial reporting in hyperinflationary economies" (effective in Romania, until the date of 31 December 2003, by reconstituting the evolution of capital and savings, from the foundation, until 2003 (with the specification of the exact date and source), with the application of inflation indices, resulting an increase of private capitals, by the amount of **102. 691. 274 lei**.

As a consequence of the performed restatements, it results that the increase in the amount of **85.945.332 lei**, is registered by share capital ( "Adjustments of the share capital"), in counterpart with the reported result ( "The reported result, due to the adoption for the first time of IAS 29").

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

By making adjustments to capital items for the financial year on 31.12.2015, namely 'Share capital and Other elements of private capitals ', in correspondence with the "Retained earnings from the adoption of IAS 29 for the first time", the impact in private capitals is void, because the loss which is carried forward, can be covered from the profit of the financial year and of the earnings, of savings, share capitals premiums and share capital, according to the decision of general meeting of shareholders.

There were no changes in capital premiums and the legal savings, increased by profit distribution exercise. **The revaluation differences increased over the previous year, due to the reevaluation of tangible assets, which the company performed on 31.12.2015, being adjusted with the sales of assets, acquired in 2015 years.**

We mention that the revaluations performed after the date of 01.01.2004, are recognized for tax purposes, as income similar items, as depreciation of tangible assets and their exit from the patrimony. For these temporary differences, between the accountancy amount and the tax amount, IAS 12 requires the calculation of a deferred income tax, which diminishes the value of private capitals (included in the above table, under the heading of other similar elements for the capitals) and are added to the debts.

The reported result, is increasing over the previous year, mainly on account of transferring of the acquired surplus, related to the sold assets and to the patrimony reevaluation.

The long-term debts, arise mainly from the postponed tax on profit, in the amount of 14.243.171 lei, increasing in comparison with the previous year, due to the reevaluation of tangible assets, real estates investments and to the assets held for the sale, made by the company, on the date of 31.12.2015. This tax is not due and will be recognized as a payable debt, to the extent of the amortization of assets or of the exit from the patrimony.

The short-term debts, consist of trade, wage, fiscal and otherwise payables, with due date after 01.01.2015, the company not recording outstanding debts.

## The exercise's result

Lei

Indicators	2013	2014	BVC 2015	2015	Index 2015/ 2014	Index 2015/ BVC 2015
Accommodation incomes	15.021.252	17.231.591	20.220.231	20.878.291	121,16%	103,25%
Public food incomes	9.361.993	8.731.786	10.317.194	9.659.528	110,62%	93,63%
Rent incomes	315.110	367.410	455.445	526.661	143,34%	115,64%
Other incomes included in turnover	3.459.371	3.229.158	4.046.560	3.119.304	96,60%	77,09%
Incomes from assigned assets and assets held for sale	1.941.321	15.665.455	7.296.000	7.260.763	46,35%	99,52%
Other incomes	2.359.698	1.772.388	0	1.076.741	60,75%	-
Changes in inventories	176.277	147.476	0	0	0,00%	-
<b>Total operating incomes</b>	<b>32.635.022</b>	<b>47.145.263</b>	<b>42.335.430</b>	<b>42.521.288</b>	<b>90,19%</b>	<b>100,44%</b>
Expenditure on stocks	6.822.407	6.810.411	7.313.511	6.640.216	97,50%	90,79%
Expenditure on utilities	2.649.877	2.171.376	2.460.000	2.519.713	116,04%	102,43%
Employees benefits expense	7.127.826	6.867.354	8.024.014	8.838.433	128,70%	110,15%
Expenditure for amortization and depreciation of assets	6.266.089	6.017.854	6.740.000	6.343.921	105,42%	94,12%
Incomes from assigned assets and assets held for sale	1.237.320	7.905.542	3.427.238	3.381.254	42,77%	98,66%
Expenditure for other taxes and fees	1.508.456	2.729.099	1.527.952	2.214.712	81,15%	144,95%
Expenditure on external supply	5.527.207	5.787.752	4.953.838	6.223.432	107,53%	125,63%
Other expenses	368.487	934.194	2.145.541	729.019	78,04%	33,98%
<b>Total operating expenses</b>	<b>31.507.668</b>	<b>39.223.581</b>	<b>36.592.094</b>	<b>36.890.701</b>	<b>94,05%</b>	<b>100,82%</b>
<b>The operating result</b>	<b>1.127.354</b>	<b>7.921.682</b>	<b>5.743.336</b>	<b>5.630.587</b>	<b>71,08%</b>	<b>98,04%</b>

Financial incomes	1.835.835	314.746	155.327	272.003	86,42%	175,12%
Financial expenses	1.992.406	575.732	300.000	149.304	25,93%	49,77%
<b>The financial result</b>	<b>-156.572</b>	<b>-260.986</b>	<b>-144.673</b>	<b>122.700</b>	-	-
<b>The result before tax</b>	<b>970.782</b>	<b>7.660.696</b>	<b>5.598.663</b>	<b>5.753.287</b>	<b>75,10%</b>	<b>102,76%</b>
Expense for the tax on current profit	0	1.886.183	1.409.462	1.250.391	66,29%	88,71%
Deferred income tax expense	256.437	0	0	134.842	-	-
Incomes related to deferred income tax	0	20.413	0	0	0,00%	-
<b>NET Result</b>	<b>714.345</b>	<b>5.794.927</b>	<b>4.189.201</b>	<b>4.368.054</b>	<b>75,38%</b>	<b>104,27%</b>

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

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<b>Indicators</b>	<b>2014</b>	<b>BVC 2015</b>	<b>2015</b>	<b>Index 2015/2014</b>	<b>Index 2015/BVC 2015</b>	<b>Shares (%)</b>
Core business revenue	32.419.153	35.194.757	35.577.942	109,74%	101,09%	83,05%
Expenditure on core business	30.837.120	33.464.856	33.604.649	108,97%	100,42%	90,61%
<b>Gross profit from core business</b>	<b>1.582.033</b>	<b>1.729.901</b>	<b>1.973.293</b>	<b>124,73%</b>	<b>114,07%</b>	<b>34,30%</b>
Sale assets incomes	15.665.455	7.296.000	7.260.763	46,35%	99,52%	16,95%
Sale assets expenses	9.566.378	3.427.238	3.480.769	36,39%	101,56%	79,69%
<b>Gross profit from sales of assets</b>	<b>6.099.077</b>	<b>3.868.762</b>	<b>3.779.994</b>	<b>61,98%</b>	<b>97,71%</b>	<b>65,70%</b>

Total income	48.084.608	42.490.757	42.838.705	89,09%	100,82%	100,00%
Total expenses	40.403.499	36.892.094	37.085.418	91,79%	100,52%	100,00%
<b>Gross profit</b>	<b>7.681.109</b>	<b>5.598.663</b>	<b>5.753.287</b>	<b>74,90%</b>	<b>102,76%</b>	100,00%
Tax on profit	1.886.183	1.409.462	1.385.233	73,44%	98,28%	
<b>Net profit</b>	<b>5.794.926</b>	<b>4.189.201</b>	<b>4.368.055</b>	<b>75,38%</b>	<b>104,27%</b>	

**The basic activity generated a profit of 1.973.293 RON and the asset sales activity generated a gross profit of 3.779.994 RON.**

As one can see, the company acquired the revenues and the expenditures of the basic activity, at a level provided in BVC, making a profit from the main activity, at a rate of 114,07% compared to the budgetary provisions. At sales of assets, the degree of the profit's acquirement, is of 97.71% and is mainly due to sales of some assets, in the month of December 2015, being adjusted, due to the restitution to the owner, of the Malvina Villa, based on a final ruling of the law court.

The company management has taken steps to follow strictly the expenses and their resizing. The expenditure management was hampered by two government decisions, that have a significant impact on costs. It is about:

- The obligation to keep open the travel units, from 15 April to 15 September, a measure that was provided in order to benefit from the reduction of local due taxes and fees. Thus, at the ends of the season, when the reduced number of tourists doesn't economically justify the opening of hotels, we had to allocate human and material resources to comply with this measure.

Among the measures taken to limit the costs, we list:

- the managing of arrivals toward certain hotels and restaurants, in order to ensure an occupancy degree, that allow their operation in terms of efficiency and for the others, providing certain minimum operation conditions;
- reducing consumption of utilities and their optimization by standardizing consumer crisis;
- the direct supply of units, aiming the reduction of costs of storage and distribution;
- rhythmical supply, minimum stocks;
- staff framing proportionally to the earnings' evolution;
- the return of goods to suppliers, at the units' closing;
- restriction on general and administration expenses;
- tracking the treasury cash flow very carefully, correlating the cashings with payments,

- reducing the account balance of the loans and of the related interests;
- the strictly monitoring of maturities to the state and local budgets, in order to avoid delays or payment incidents;
- the cashing within maturity, customers' demand for payment.

The taken measures, have caused the spending degree of expenses, against BVC (100.52%), to lie close to the incomes level (100,64%), being influenced by the fixed costs, respectively, the amortization, the depreciation, the taxes and local fees, as well as, a series of variable costs, that are not proportional to the incomes or which are occurring before income acquirement.

At the end of 2015 year, the company set up provisions for the amounts in dispute, in a value of **426.282,88 lei**.

**Concluding, at the end of 2015 year, THR Black Sea S.A., recorded a gross profit of RON 5,753.287, at the level of 102,76% of the gross profit, provided by the Budget of revenues and expenditures, approved by AGA. This profit corresponds to a net profit of 4.368,054 lei, compared to 4.189.201 lei, as it was established by the Budget of revenues and expenses, with a profit rate of 10%.**

### **The activity's financing**

During 2015 year, S.C. THR Black Sea S.A., has funded its work, by using its own financing sources, as well as, through two lines of credit, amounting to 10.000.000, of which, at the end of the year, it had used 4.452.315 lei, and through a credit of investments of 2,000,000 lei, which until the end of the year, was fully covered.

Regarding the fulfillment of payment obligations, the company doesn't have any outstanding debts, the payments being made within the due dates provided in the agreements, respectively to the legal terms for the debts to the state budget.

### **6. The corporate governance**

The Administration Council has monthly met in meetings, according to the provisions of the Law 31/1990, republished, and whenever needed, its duties being stipulated in the Articles of association.

The Administration Council monitored the operational and financial performance of executive management through indicators and performance criteria, a set in the Budget of revenues and expenditures and of other approved programs.

Pe parcursul anului 2015 activitatea administratorilor a fost concentrata pe realizarea obiectului de activitate al societatii in conformitate cu hotararile AGA, prevederile legale si prevederile Actului Constitutiv.

During 2015 year, the administrators' activity was focused on carrying out of the activity object of the company, in accordance with AGA decisions, with the law provisions and with the provisions of the Articles of Association.

One of the constant concerns of the administrators, has been the increment of sales, by developing the sales department, by identifying new customers and retaining the traditional customers. It was also took into account, the improvement of the policy of promoting the tourism products, by launching special offers and customized offers, for the specific categories of tourists.

Also, the Administration Council, was concerned with sales of assets, approving minimum prices and conditions of sale of these assets. The company actively sought potential clients, organized public auctions and conducted an adequate advertising of such transactions.

One of the objectives of the Administration Council, is to register in the Land Register, all the real estates of the company. In 2015 year, this process has accelerated, therefore, at the end of the year, the lands registered in the Land Register, accounted for over 98, 94% of the lands' surface, owned by the company and we estimate that in 2016 year, all lands and buildings of the company will be registered in the Land Register.

The disputes of the company, are systematically monitored by the Administration Council, therefore, each council meeting, had on the agenda, at least one point on the main disputes of the company. the Administration Council has analyzed the options which the company has in these cases and, where appropriate, has hired law firms, specialized in such disputes.

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

- The Audit Committee: Butoi Nicolae and Prescure Titus
- The Committee of Remunerations: Mielu Dobrin si Cazacu Dorinel

The company is managed in a single system, the company's executive leadership being provided by Mr. Stan Virgil, as General Director and Mrs. Narcisa Mosoiu, as Deputy General Director.



The duties of the General Director and of the Deputy General Director, are clearly set the mandate agreements, signed with the company.

Within the company there is implemented a system of internal control for the main activities, being established work procedures. The internal control is provided at all levels, within the company, being set up an office of internal financial control and management.

The internal audit activity was outsourced, in this respect, being signed an agreement with S.C. MAN-CO S.R.L. Bucharest. The internal audit is in direct subordination of the Administration Council.

The company has joined a Code of Corporate Governance, being approved the New Code of Corporate Governance of BSE, which took effect from 4 January 2016.

The accounting reports are prepared by the company's 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 to the Administration Council.

The company registers on the date of 31.12.2015, a share capital in a value of 57.894.993,9 lei, subscribed and paid share capital, representing a number of 578.949.939 registered, ordinary, dematerialized and indivisible shares, with a nominal value of 0,1 lei / share. Thus, the company observes the provisions of Article 10 of the Law 31/1990, regarding the commercial societies, concerning the minimum level of the share capital for joint stock companies. All shares can be traded freely on the Bucharest Stock Exchange, without limitations on the ownership of securities, of the need to obtain the approval of the issuer, or other holders of securities. The company has never purchased its own shares.

In the course of 2015 year, the share capital was not changed, the structure of shareholders on 31.12.2015, communicated by the Central Depository S.A., by the letter no. 4006 / 08.02.2016, is as follows:

<b>Shareholders</b>	<b>%</b>	<b>Number of shares</b>	<b>Capital's value (lei)</b>
SIF Transilvania S.A.	77,71%	449.920.140	44.992.014,00
A.V.A.S.	0,09%	516.915	51.691,50
Other shareholders-legal persons	12,84%	74.306.772	7.430.677,20
Other shareholders-physical persons	9,36%	54.206.112	5.420.611,20
<b>TOTAL</b>	<b>100,00%</b>	<b>578.949.939</b>	<b>57.894.993,90</b>

The company has no scheme for granting shares to employees and there are no restrictions on voting rights. It also is not aware of agreements between shareholders which may have as a result, restrictions on the transfer of securities and / or voting rights.

The appointment or replacement of members of the council of administrators, as well as, the amending of the articles of incorporation, are done under the provisions of the law, the company not having any special rules in this regard. So far, the proposals for members of the administration council, were made toward the majority shareholder, the appointment being decided by the General Meeting of Shareholders. The Chairman of the Administration Council is elected by vote, by the members of the Administration Council.

The members of the Administration Council have responsibilities, regarding the issue or the buy back of shares. In the management agreement, it is stipulated that if the company or its administrators, interrupt the execution of the mandate, without a just cause, by dismissal or waiver, they will be answerable against the other part, of the eventual caused damages.

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

The sessions of the Shareholders General Meeting, are run, as follows:

- there is checked the list of attendance of shareholders, the share capital represented by each of them, and the ascertainment of the legal requirements' fulfillment and of the provisions of the Articles of Association, for the running of the general meeting.
- there are presented the items on the agenda of the convening notice and they are subject to vote.
- the AGA decisions are taken by open vote, except for the appointment of administrators and financial auditor, for whom the secret ballot is mandatory.
- there is checked the result of the votes and it is recorded in the minutes of the meeting.

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

- a) to discuss, approve or modify the annual financial statements, based on reports submitted by the board of directors and by the financial auditor, and determine the dividends;
- b) to elect and dismiss board members, appoint or dismiss the financial auditor and fix the minimum term of the financial audit agreement;
- c) to fix the remuneration for the current financial year for the board members;
- d) to decide on the council's inventory and management;
- e) to determine the incomes and expenses 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.

The 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. The conclusions and the proposal of the company's profit distribution**

In 2015 year, the company has been operating in accordance with the provisions of the articles of association, with the decisions of the AGA, of the BVC, in compliance with the legislation in force, on the organization and reflection in the accountancy of the specific activity, as well as, with the capital market regulations.

**Given the above, the Council of Administrators, proposes for approval:**

**1. The coverage of the uncovered loss from previous years, in the amount of 11.289.509,54 lei, with the surplus acquired from reevaluation savings.**

**2. The distribution of the net profit in a value of 4.368.054,21 lei :**

**-For the legal saving, according to the art. 183 of the Law 31/1990 of the commercial companies, republished: 284.393,68 lei**

**-The dividends distribution for shareholders of 3.126.329,67 lei**

**-The distribution to fund development 957.330,86 lei**

**CHAIRMAN OF THE ADMINISTRATION BOARD**

**Eng. Mielu Dobrin**