



TURISM, HOTELURI, RESTAURANTE MAREA NEAGRA S.A.

Head Office: Romania, Mangalia, Lavrion Street, No. 29, Constanța County, Phone: +40-241-752-452
Facsimil: +40-241-755-559
Registration No. Trade Register of Constanța: J13/696/1991, CIF: RO2980547,
IBAN Account: RO71 RNCB 0117 0151 6314 0001, Banca Comercială Română – Mangalia Agency
Subscribed and Paid Capital : 57.894.993,9 lei
Company managed in a dualistic system

www.thrmareaneagra.ro

ANNUAL REPORT

About the individual financial situations of

SC THR MAREA NEAGRA SA

Drawn up according to the Accountancy Law no. 82/1991, OMFP 2844/2016 for the approval of the accountant regulations according to the International Standards of Financial Reference, to the Law 24/2017 concerning the capital market and the ASF Regulation no. 1/2006 regarding the issuers and the security operations,

for the financial exercise ended on 31st of December 2017

Name of the commercial company: Tourism, Hotels, Marea Neagra S.A. Restaurants,
Company managed in a dualistic system

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

Telephone Number/Facsimil: 0241-75.24.52 / 0241-75.55.59

Tax Identification Number to the Trade Register Office: 2980547

Ordinal number in the Trade Register: J13/696/1991

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

Subscribed and paid capital: 57.894.993,9 lei

Main features of the securities issued by the commercial company: nominative actions, ordinary, book-entered and indivisible with a nominal value of 0,1 lei/action.

On 8th of November 2017, The General Meeting of the Shareholders changed the managing system, from the whole, in dualistic system, appointing a Supervisory Board made by 3 members:

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



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All members of the Supervisory Council were chosen to the proposal of S.I.F. Majority Stockholder of Transilvania.

Along with the passing of the managing dualistic system, the Supervisoru Council a founded two committees, with the following constituents:

- **Audit Committee** Mielu Dobrin and Florin Dănuț Buzatu
- **Appointment and Payment Commitee:** Dragoș Călin and Florin Dănuț Buzatu.

The company adhered to a Corporate Governess Code, annually drawing up the Statement of Conformity provided by CGC.

At the date of this Report, THR Marea Neagră is unaware of the existence of agreements, agreements or family relationships between the members of the Supervisory Board and other persons for whom they have been appointed as directors.

At the time of writing, THR Marea Neagră is unaware of the existence of litigation or administrative proceedings against the Supervisory Board in relation to their activity within the issuer or regarding the person's ability to perform his duties within the issuer.

The Supervisory Board is based on the principles of corporate governance, which establish a responsible, professional and ethical attitude of the Company vis-à-vis major stakeholders. Within the Council, the Company's strategy and environmental prerequisites are explored in order to plan the development of the THR Black Sea and its performance, ensuring a rigorous formulation of the objectives. Within the Supervisory Board, the Company's Directorate provided detailed information on the financial statements of 2017.

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

The financial statements and the audit report were submitted for review to the Supervisory Board.



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The Annual Report of the Board of Directors in accordance with the requirements of the capital market legislation was endorsed by the members of the Supervisory Board. The Directors' Report provides a true and fair view of the Company's results for the financial year 2017.

President of the Supervisory Board

Eng. Mielu Dobrin



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Report

of the Board of Directors SC THR Marea Neagra SA

related to the individual financial situations drawn up for the year 2017

Annual report according to: The accountancy Law no. 82/1991, OMFP 2844/2016 for the approval of the Accountant Regulations according to the International Standards of Financial Report, to the Law no. 24/2017 regarding the capital market and the ASF Regulation no. 1/2006 regarding the issuers and the security operations.

For the financial exercise : **2017**

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

Company managed in dualistic system

Head Office: **Lavrion Street, No. 29, Mangalia, Constanța County**

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

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

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

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

1. Analyzing the business of the company



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1.1. a) Description of the basic activity of commercial company

The main activity of the company according to the classification is CAEN code 5510 - "Hotels" - respectively the provision of accommodation services, public catering, spa treatment and tourist entertainment.

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

b) The date of company's foundation

The commercial company was founded on 5th of March 1991, having the name of S.C. Eforie S.A.

The company changed its name from Eforie S.A. in T.H.R. Marea Neagră S.A. in 2005, according to the Conclusion of the Deputy Judge at the Constanta Trade Registry Office number 10.687 / 24.01.2005, and during 2010, the company relocated its registered office in Mangalia, Str. Lavrion nr. 29, Constanța County.

In AGEA from 8th of November 2017, the management system of the company was modified in the Dualist system, the management of the company being carried out by the Supervisory Board and the Board of Directors.

c) Description of significant mergers and reorganizations

In 2017, no mergers or reorganizations took place.

d) Description of acquisitions and / or asset transfers

In 2017, the company continued its strategy of development / restructuring of the company by selling some assets from the company's patrimony, namely:

- Mercur Restaurant (building and land) from Eforie Sud;
- Land Hotel Sport of Eforie Nord;
- Neon Thermal Plant (building) of Eforie Nord.

1.1.1. Elements of general assessment:

a) Gross profit : **2.212.932 lei** ;



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- b) Total incomes: **39.127.626 lei** (whereby adjustment and write-off provisions 69.330 lei);
- c) The turnover: **34.420.176 lei**
- d) Export: it's not necessary
- e) Total costs: **36.914.693 lei** (less deferred tax and specific tax of **521.096 lei**);
- f) % of the held market: **12,80%** of the local tourist market
- g) Valid in the account: **4.439.143 lei.**

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

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

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

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

Operational activity generates income that results in a positive economic and financial result, able to cover all operating costs, as well as the realization of profit partly used to finance investment programs.

The concentration of the revenues achieved in a limited period of the year (June-August) involves the temporary financing of activities from attracted sources, respectively bank loans, which are reimbursed as the revenues for the financial year in progress are realized.

1.1.2. Assessment of the technical level of commercial company

Description of the main products and / or services provided, specifying:



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

In 2017, THR Marea Neagra SA exploited in direct management a number of 6,598 accommodation places and 5,525 public places, located in the tourist resorts on the Romanian Black Sea coast, in units classified as 4*, 3* and 2*.

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

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

Direct sales at hotel reception, especially at the end of the week, have a significant share in sales, with the company being organized to receive and solve the requests in order to cover optimally its own service capabilities.

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

b) The incomes structure on the main service categories:

Indicators	Achieved (lei)			Total incomes (%)			Total turnover (%)		
	2015	2016	2017	2015	2016	2017	2015	2016	2017
Total incomes, excluding adjustment incomes	42.793.291	48.416.288	39.058.296	100,00	100,00	100,00			
The turnover, whereby:	34.183.783	34.942.411	34.420.176	79,88	72,17	88,13	100,00	100,00	100,00
- Housing	20.878.291	20.160.054	21.016.132	48,79	41,64	53,81	61,08	57,70	61,06
- Meal	9.659.528	10.617.463	10.128.015	22,57	21,93	25,93	28,26	30,39	29,42
- Rents	526.661	1.339.102	876.151	1,23	2,77	2,24	1,54	3,83	2,55
Other incomes contained in the turnover	3.119.304	2.825.792	2.399.878	7,29	5,84	6,14	9,13	8,09	6,97

The total incomes, excluding provisions for cancellation provisions, recorded by the company in the financial year 2017, amount to 39,058,296 lei and represent 80.67% of the realized 2016 year.



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Within the total incomes, the turnover amounts to 34,420,176 lei, which represents 98.51% compared to the previous year (34,942,411 lei).

Turnover incomes in 2017 were made from the following activities:

- Housing;
 - Public nourishment;
 - Rents;
 - Other incomes – additional services: treatment, parkings, swimming pools, etc.
- The share in the structure of the turnover is 61.06%.

The revenues from the public alimentation constituted in 2017, 29.42% of the turnover.

The rental activity represented a small share of the turnover of 2.55%. The incomes resulted from this activity, in the amount of 876,151 lei, were below the level budgeted for 2017.

The group "Other revenues", reflected in the turnover, achieved by performing secondary activities (treatment, parking, swimming pools) amounted to 2,399,878 lei and represents, compared to 2016, a 15.07% reduction.

α) New products considered and their development stage

The company has as a priority the maintenance, development and creation of new tourist products, taking into account the current market demands for such services.

Besides its own products: packages of accommodation services, public catering, spa treatment, leisure, the company aims at developing the existing capacities as well as developing and modernizing the IT system that allows on-line reservations and other services requested by tourists. Through the tariff and contracting policy, incentive conditions were created for the tour operators, consisting of:

- facilities for families with children;
- the schedule "Inscrieri Timpurii";
- capping up to 18% of sales commissions to agents against contract rates;
- non-delivery of public catering services by the beneficiary to them the provider granting a commission of 13%;
- granting additional (volume) discounts at the end of the season.

Special offers have been launched to boost service package sales: holiday packages (Pentecost, St. Mary), full package accommodation packages and treatments, online sales incentives (discounts for non-refundable purchases, „Best deal” offers, „Last minute” deals, discounts for reservations during certain periods, accommodation and treatment packages),



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conference room offers, participation in programs promoted by tourism employers' organizations („Litoralul pentru toti”, ‘Decada balneară”, „Hai la bai”, „O săptămână de refacere”).

1.1.3. Assessment of the technical-material supply activity

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

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

Acquisitions have been made from traditional suppliers, direct producers or importers, large companies with accreditation on the respective materials certified by ISO, according to European standards and standards. Suppliers are selected by a selection board based on established criteria and score, which mainly reflects the price / quality ratio.

Regarding the security of the sources of supply, we specify that all the raw materials purchased are accompanied by certificates of conformity, warranty certificates, technical data sheets. Stocks of raw materials and materials are minimal considering the off-season.

1.1.4. Valuation of sales activity

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

The company has mainly been operating on the basis of tourism service contracts concluded with travel agencies, the National House of Public Pensions (treatment agreement), external tourism, other beneficiaries, on-line sales and for individual tourists arriving on their own. In 2017, compared to the BVC and the achievements of the previous year, the touristic circulation is as follows:

Tourist days	CNPP	Agencies	Own account	Online	Other beneficiaries	TOTAL
Realized on 31 st of December 2017	128.563	189.201	11.893	20.259	32.619	382.535
BVC 2017	138.900	176.567	17.834	22.281	21.674	377.256



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Differences Realized-BVC 2017	-10.337	12.634	-5.941	-2.022	10.945	5.279
Percent Realized 2017/BVC 2017	92.56%	107.16%	66.69%	90.93%	150.50%	101.40%
Realized on 31 st of December 2016	135.734	187.424	14.671	21.108	23.806	382.743
Differences Realized 2017-Realized 2016	-7.171	1.777	-2.778	-849	8.813	-208
Realized Percent 2017/Realized 2016	94.72%	100.95%	81.06%	95.98%	137.02%	99.95%
Percent BVC 2017/Realized 2016	102.33%	94.21%	121.56%	105.56%	91.04%	98.57%
Differences BVC 2017-Realized 2016	3.166	-10.857	3.163	1.173	-2.132	-5.487
Weight in structure 2017	33.61%	49.46%	3.11%	5.30%	8.53%	100,00
Weight in structure 2016	35.46%	48.97%	3.83%	5.51%	6.22%	100,00

As you can see, in the year 2017 there was a tourist traffic of 382,535 days-tourist, representing an increase compared to the budgeted indicator by 1.4% (382,535 / 377,256).

As far as 2016, tourist days were focused in a shorter period of operation, which led to a higher occupancy rate and lower operating costs.

Thus, during the season 2017 the units were opened between 25.05 - 30.09.2017, registering an average occupancy of 67.29%, while in the season 2016 they were opened between 03.04. - 29.10.2016, registering a average employment rate of 59.15%.

From the analysis of the tourist traffic, we notice:

* The treatment agreement concluded with the National House of Public Pensions (CNPP) ensured a tourist circulation of 128,563 tourist days, in 2017, with 10,337 days less than the budget provision. This decrease is due to the fact that Eforie Nord has not been contracted. There were increases compared to 2016 at Saturn, respectively 106.83%.

* Touristic travel by travel agencies increased, compared to 2016, by 1,777 tourist days, and compared to the budget forecast, it registered a 7% increase.

* The online sales segment recorded a slight decline due to lower demand over previous years.

* The company also concluded contracts with other beneficiaries (trade unions, associations, sport federations, etc.), on the basis of which a touristic circulation of 32,619 tourists was achieved, compared to 21,674 days of tourists, which represents a 150,50% increase budgetary provisions.



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

Explanations	Treatment	Agencies	Own account	Other beneficiaries	Online	TOTAL
Number of tourists 2017	8,260	29,182	3,908	4,928	5,325	51603
Number of tourists 2016	8,258	29,613	4,773	3978	5,752	52374
Differencies 2017/2016	2	-431	-865	950	-427	-771
% 2017/2016	100.02%	98.54%	81.88%	123.88%	92.58%	98.53%
% 2017/ Partners	16.01%	56.55%	7.57%	9.55%	10.32%	100%
% 2016/ Partners	15.77%	56.54%	9.11%	7.60%	10.98%	100%

Explanations	Treatment	Agencies	Own account	Other beneficiaries	Online	TOTAL
Medium stay 2017	15.57	6.46	3.07	6.62	3.8	7.41
Medium stay 2016	16.44	6.28	3.07	5.98	3.67	7.31
Differencies 2017/2016	-0.87	0.18	0	0.64	0.13	0.10

The analysis of the above situation showed that the average stay indicator registered a positive evolution in 2017, representing 7.41 days of average stay compared to 7.31 days of average stay in 2016, the increase being mainly performed by other beneficiaries (6.62 / 5.98).

The employment rate registered by the company was 67.18% compared to 59.15% achieved in 2016. In the coming years, we will continue to consider adapting the pricing and contracting policy to market requirements, creating incentive conditions for tour operators, granting volume discounts, facilities for families with children, early affiliation policy, cession commissions to stimulate sellers and create benefits for the sale of public catering services.

We will pay more attention to the on-line sales segment. We are considering the development of special offers meant to ensure an increase of the tourist traffic, as well as a permanent adaptation of the tourist product to the evolution of the market.

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



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

The area has the highest concentration of tourist capacity, which creates a strong competitive climate. The foreign market is a particular competition with similar products, the tariff policy making the difference, identifying in this respect the Bulgarian seaside market as a competitor.

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

The tourist products of T.H.R. Marea Neagră S.A. have a national distribution area and are available on all distribution channels (travel agencies, websites, direct sales, etc.).

As a result, the disappearance of a partner will not significantly affect the distribution of the tourist product.

An important share is the client of the National House of Public Pensions.

Considering that the public procurement of this partner is made for public sector retirees, the non-acquisition by CNPP of these services does not cancel the consumer demand. Health care is a necessary and continuous process, the product will be placed on other distribution channels so that the consumer can get to purchase the necessary product.

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

1.1.5. Assessment of employees / Commercial company staff

a) Regarding the human resources in 2017, compared to the year 2016 the evolution is the following:

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Crt. No.	Indicator	Medium No. on 31 st of December 2016	Medium No. on 31 st of December 2017	Number of people on 31 st of December 2017
A	Number of permanent staff, whereby:	117	109	108
1	Tesa's personnel	40	38	36
2	Operative personnel	77	71	72
B	Number of season staff	237	213	20
	Total	354	322	128
C	The leadership of the company	6	7	7

Compared to 2016, there is a decrease in the average number of staff both on the whole and in the structure, seasonal and permanent.

The situation in the dynamics of gross salaries as well as the efficiency indicator - labor productivity, is presented as follows:

Crt. No.	Indicator	2016	2017	%
1	Gross wage expenses (lei)	7.337.480	7.646.876	104,22%
2	Medium number of employees	354	322	90,96%
3	Labour productivity (lei/employee)	98.707	107.081	108,49%
4	Gross monthly average wage (lei)	1.725,86	1.977,66	114,59%
5	Gross medium salary on the economy	2.681	3.131	116,79%
6	Gross medium salary on the economy (lei)	1250	1450	116,00%

Gross wage growth has grown by 4.22% compared to 2016, when the average number of employees decreased by 9.04%. The increase was due to the wage increases imposed by the legislation as a result of the increase of the minimum gross salary in the economy.

The efficiency of the use of commensurate human resources through labor productivity is increasing in 2017 compared to 2016 by 8.49%. Compared to the average gross salary of 3,131 lei, the gross salary registered by the company of 1977,66 lei represents 63,17%.

a) The relations between managers and employees, regulated by the Collective Agreement, are based on communication, involvement and team spirit, respecting the



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rules and procedures established by the ROI, job description, without conflicting elements.

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

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

The company has identified all its activities that have a possible impact on the environment and has regulated them according to SR EN ISO 14001: 2005 environmental standards through its own procedures. In 2017, the company did not face disputes arising from non-compliance with legal environmental regulations.

2. Financial and accountant situation

In 2017, T.H.R. Marea Neagră S.A. has held accounting under OMF 881/2012 and OMF 2844/2016 for the approval of accounting regulations in line with International Financial Reporting Standards. By these orders, it was stated that the companies whose securities are quoted on the regulated market, including THR Marea Neagra SA have the obligation to prepare the financial statements in accordance with the aforementioned normative acts.

Under the above-mentioned regulations, the financial statements are audited annually by Audit firm ABA Audit S.R.L on the basis of the service agreement no. 918 / 21st of April 2015.

The situation in the dynamics of the main asset positions as of 31.12.2017 compared to the similar elements from the years 2015 and 2016 is as follows:

ASSET	Value on 31 st of December 2015 (lei)	Value on 31 st of December 2016 (lei)	Value on 31 st of December 2017 (lei)	Variation 2017/2016 (%)	Share 2017 in total of assets (%)
Intangible assets	579.393	486.094	396.452	81,56%	0,16%
Tangible assets	230.551.784	213.085.900	183.895.784	86,30%	72,87%
Real estate investments	3.337.958	16.350.751	17.191.112	105,14%	6,81%



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Financial immobilizations	2.000	2.434.010	2.434.010	100,00%	0,96%
Fixed receivables (including receivables regarding the deferred tax)	1.536.509	1.394.641	1.404.650	100,72%	0,56%
TOTAL IMMOBILIZED ACTIVITIES	236.007.642	233.751.395	205.322.008	87,84%	81,36%

ASSET	The value on 30 th of December 2015 (lei)	Value on 31 st of December 2016 (lei)	Value on 31 st of December 2017 (lei)	Variation 2017/2016 (%)	Share 2017 in total assets (%)
Stocks	652.446	617.337	442.128	71,62%	0,18%
Receivables	12.949.097	6.080.021	4.868.821	80,08%	1,93%
Financial assets	1.336	0	0	0,00%	0,00%
Cash availabilities	1.888.056	7.337.535	4.439.143	60,50%	1,76%
Assets classified as held for sale	4.073.434	11.007.555	36.516.013	331,74%	14,47%
Expenses registered in advance	42.070	923.273	782.016	84,70%	0,31%
TOTAL CURRENT ASSETS	19.606.437	25.965.721	47.048.119	181,19%	18,64%
TOTAL OF ASSETS	255.614.080	259.717.116	252.370.128	97,17%	100,00%

Within the assets of the company the largest share is held by fixed assets (81.36%), especially land and buildings, the share of circulating assets being 18.64%. As of December 31, 2017, the fixed assets decrease by 12.16% as compared to 2016 due to the change of the destination of some tangible assets by classifying them as assets held for sale (Minerva Restaurant, Sulina, Dunarea, Pelican, Athens Complex, Saturn Saturn Tour, Saturn 3, Saturn GG, Saturn Cofetaria, Meteor Hotel, Rhapsody Garden / Restaurant).

Analyzing in the structure, tangible assets represent 72.87% of the total fixed assets. International Financial Reporting Standards (IFRS) require that assets be reclassified according to their use.



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The current assets show an increase from the level achieved in the previous year, an increase due to assets held for sale classified as stocks from 11,007,555 lei in 2016 to 36,516,013 lei in 2017.

The receivables of the company consist mainly of commercial receivables represented by tourist services amounting to 2,721,244 lei which have been adjusted with the amount of 1,219,460 lei representing a one-year debts related to the services rendered to Rugby Club Constanta and Marea Comtur SRL , as well as receivables to the state budget represented by the VAT to be recovered in the amount of 3.180.194 lei (as a result of investments and acquisitions made).

In the year 2017, passive positions had the following evolution:

LIABILITY	Value on 31 st of December 2015 (lei)	Value on 31 st of December 2016 (lei)	Value on 31 st of December 2017 (lei)	Variation 2017/2016 (%)	Share 2017 in total liabilities (%)
<i>Subscribed and paid capital</i>	57.894.995	57.894.994	57.894.994		22,94%
<i>Adjustment of share capital due to the application of IAS 29</i>	85.945.333	85.945.333	85.945.333		34,069%
<i>Total capital ratios whereby</i>	1.895.855	1.895.855	1.895.855	100,00%	0,75%
<i>Prime and merger premiums</i>	1.895.814	1.895.814	1.895.814		0,75%
<i>Equity capital gains arising from the application of IAS 29</i>	41	41	41		0,00%
Total reserves whereby:	21.308.421	22.542.869	22.894.846	101,56%	9,07%
<i>Legal reserves</i>	4.523.314	4.800.431	4.911.078	102,30%	1,95%
<i>Other reserves</i>	16.785.107	17.742.438	17.983.768	101,36%	7,13%
<i>Inflated reserves as a result of first-time application of IAS 29</i>	16.745.901	16.745.901	16.745.901	100,00%	6,64%
<i>Legal reserves inflated due to the application of IAS 29</i>	1.280.018	1.280.018	1.280.018		
<i>Other provisions fueled by the application of IAS 29</i>	15.465.883	15.465.883	15.465.883		
Total re-assessment differences of which:	113.989.110	107.996.624	107.511.069	99,55%	42,60%
<i>Retained earnings except retained earnings from the adoption of IAS 29 for the first time</i>	47.084.787	52.860.602	52.587.660	99,48%	20,84%
<i>Originated from the correction of accounting errors from previous years</i>	(7.114.719)	(10.650)	(768.516)		
<i>Surplus from re-assessment reserves</i>	58.374.296	52.870.621	53.356.176		
<i>Originated from the transition to IFRS</i>	(3.193.052)	0	0		
<i>Retained earnings from the adoption of IAS 29 for the first time</i>	(102.691.275)	(102.691.275)	(102.691.275)	100,00%	



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<i>The result of the exercise</i>	4.368.054	4.455.307	1.691.836	37,97%	0,67%
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LIABILITY	Value on 31 st of December 2015 (lei)	Value on 31 st of December 2016 (lei)	Value on 31 st of December 2017 (lei)	Variation 2017/2016 (%)	Share 2017 in total liabilities (%)
<i>Other equity items</i>	(13.364.773)	(12.895.772)	(12.690.844)	98,41%	-5,03%
<i>Total of equity items</i>	233.176.408	234.750.438	231.785.375	98,740%	91,84%
<i>Medium and long term debts</i>	14.243.171	16.047.728	15.209.362	94,78%	6,03%
<i>Short term debts</i>	8.194.503	8.118.949	5.375.392	60,27%	2,13%
<i>Medium and long term debts</i>	22.437.674	24.166.677	20.584.754	85,18%	8,16%
TOTAL OF LIABILITIES	255.614.081	259.717.116	252.370.130	97,17%	100,00%

Within the liability elements, the largest share is their own capital.

(91,84%), the social capital representing 22,94 % from the total of company liabilities.

The shareholder's equity on 31st of December 2017 are made by:

- subscribed and paid share capital amounting to 57,894,994 lei, unchanged in the last 3 years;
- issue and merger premiums in the amount of 1,895,814 lei, unchanged in the last 3 years;
- legal reserves constituted within 5% of the gross profit of the company but no more than 20% of the share capital in the amount of 4,911,078 lei, with an increase compared to 2016 by 2,30%
- other reserves representing profit distributions for own financing sources in the amount of 17,983,768 lei with an increase compared to 2016 by 1,36%;
- differences from the revaluation of the company's assets in the amount of 107,511,069 lei which compared to 2016 decreased by 0.45% due to the sale of certain assets;
- the retained earnings mainly from the surplus realized from revaluation reserves amounting to 53,356,176 lei out of which 6,708,512 lei taxed and from the loss of 768,516 lei resulted from the adjustment of the accounting errors from the previous years;
- the net result of the exercise in the amount of RON 1,691,836 decreased by 37.97% compared to 2016, a decrease due to the non-fulfillment of the asset sales indicator.



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We mention that the revaluations made after 01.01.2004 are recognized from the fiscal point of view as elements similar to the income as the depreciation of the tangible assets and their output from the patrimony. For these temporary differences between book value and tax, IAS 12 requires the calculation of deferred tax that diminishes the amount of equity (included in the table under other items similar to equity) and is added to liabilities.

Long-term debts consist of the good execution guarantees granted by the suppliers of services and immobilizations amounting to 39,735 lei, of the deferred income tax and of the long - term portion of an investment loan amounting to 1.600.000 lei.

Deferred tax is not chargeable, and will be recognized as a payable liability, as depreciation or disposal of property assets.

Short-term payables consist mainly of debts to service providers and asset providers in the amount of **2,158,066 ROL**, from salary debts and related contributions in the amount of **252,900 ROL** corresponding to December 2017, specific tax related to the second half of the year 2017 in the amount of **146,756 lei** with maturity on 25th of January 2018., from management guarantees in the amount of 198,284 lei, shareholder dividends, the period 2014-2016, in the amount of **421,192 lei**, and from the short-term portion of the investment loan in the amount **800,000**, contracted in 2016.

The exercise result

The incomes and expenditures realized on the two main categories of activities, in relation to the provisions of BVC 2017 and the achievements of 2016, are as follows:

Indicators	Realized 2015	Realized 2016	Realized 2017	BVC 2017	Index 2017/ 2016	Index 2017/ BVC 2017
Total operating incomes	42.521.288	47.788.719	38.597.505	50.824.500	80,77%	75,94%
Accommodation activity	20.878.291	20.160.054	21.016.132	22.650.000	104,25%	92,79%

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Public nourishment activity	9.659.528	10.617.463	10.128.015	11.400.000	95,39%	88,84%
Rental activity	526.661	1.339.102	876.151	1.300.000	65,43%	67,40%
Other incomes included in the turnover (spa treatment, parking, pool entrance, etc.)	3.119.304	2.825.792	2.399.878	2.700.000	84,93%	88,88%
Asset sales activity	7.260.763	10.919.946	1.382.160	11.000.000	12,66%	12,57%
Other incomes (immobilized production, adjustments, fines, penalties, etc.)	1.076.741	1.926.362	2.795.169	1.774.500	145,10%	157,52%
Stock exchange	0	0	0	0		-
Total operating expenses:	36.890.701	42.291.921	36.732.240	44.918.100	86,85%	81,78%
Expenditure on inventories	6.640.216	6.843.669	6.139.255	6.794.900	89,71%	90,35%
Expenditure regarding the utilities	2.519.713	2.550.082	2.260.544	2.764.000	88,65%	81,79%
Employee benefits expenditures	8.838.433	10.259.533	11.084.218	12.744.250	108,04%	86,97%
Expenses with amortization and depreciation of fixed assets	6.343.921	6.857.190	6.820.711	7.055.400	99,47%	96,67%
Expenses with ceded assets and assets held for sale	3.381.254	5.895.660	712.351	6.293.600	12,08%	11,32%
Expenditure with other taxes and fees	2.214.712	3.331.056	3.252.799	3.558.500	97,65%	91,41%
Indicators	Realized 2015	Realized 2016	Realized 2017	BVC 2017	Index 2017/ 2016	Index 2017/ BVC 2017
Expenditure on external benefits	6.223.432	6.391.764	5.173.292	5.707.450	80,94%	90,64%
Other expenses	729.019	162.965	1.289.070	0	791,01%	-
The operating result	5.630.587	5.496.799	1.865.265	5.906.400	33,93%	31,58%
Financial incomes	272.003	627.569	460.791	435.000	73,42%	105,93%
Financial expenditure	149.304	582.023	113.124	250.000	19,44%	45,25%
Financial result	122.700	45.545	347.667	185.000	763,35%	187,93%
Total incomes	42.793.291	48.416.288	39.058.296	51.259.500	80,67%	76,20%

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Total expenditure	37.040.004	42.873.944	36.845.364	45.168.100	85,94%	81,57%
GROSS Result	5.753.287	5.542.345	2.212.932	6.091.400	39,93%	36,33%
Current tax expenditure	1.250.391	1.116.307	0	-	-	-
Specific tax expenditure	0	0	293.512	-	-	-
Deferred tax expenditure	134.842	0	227.584	-	-	-
Deferred income tax expenditure	0	29.269	0	-	-	-
GROSS Result	4.368.054	4.455.307	1.691.836	6.091.400	37,97%	27,77%

Indicators	Realized 2015	Realized 2016	Realized 2017	BVC 2017	Index 2017/ 2016	Index 2017/ BVC 2017
Basic activity						
Operational activity						
Incomes	35.260.525	36.868.773	37.215.344	39.824.500	100,94%	93,45%
Expenditure	33.509.446	36.196.673	35.966.145	38.624.500	99,36%	93,12%
Gross income from operating activity	1.751.078	672.100	1.249.200	1.200.000	185,87%	104,10%
Financial activity						
Incomes	272.003	627.569	460.791	435.000	73,42%	105,93%
Expenditure	149.304	582.023	113.124	250.000	19,44%	45,25%
Financial gross income	122.700	45.545	347.667	185.000	763,35%	187,93%
Total incomes from the basic activity	35.532.528	37.496.342	37.676.135	40.259.500	100,48%	93,58%
Total expenditure from the basic activity	33.658.750	36.778.697	36.079.269	38.874.500	98,10%	92,81%
Gross result from the basic activity	1.873.778	717.645	1.596.867	1.385.000	222,51%	115,30%
Asset sales activity						
Incomes	7.260.763	10.919.946	1.382.160	11.000.000	12,66%	12,57%
Expenditure	3.381.254	6.095.247	766.095	6.293.600	12,57%	12,17%
Gross profit from the asset sales	3.879.509	4.824.699	616.065	4.706.400	12,77%	13,09%



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TOTAL Incomes	42.793.291	48.416.288	39.058.296	51.259.500	80,67%	76,20%
TOTAL Expenditure	37.040.004	42.873.944	36.845.364	45.168.100	85,94%	81,57%
TOTAL GROSS PROFIT	5.753.287	5.542.344	2.212.932	6.091.400	39,93%	36,33%
Income tax expense + Specific tax expense + Deferred tax expense - Income tax deferred income	1.385.233	1.087.037	521.096	0	47,94%	-
NET Result	4.368.054	4.455.307	1.691.836	6.091.400	37,97%	27,77%

Total incomes registered in 2017, in the amount of **39,058,296 lei** (less the incomes from the provisioning cancellation in the amount of **69,330 lei**) represent 76.20% of the budgeted level and 80.67% of the volume registered in the previous year 2016.

The total expenditures registered in the financial year 2017, in the amount of 36,845,364 lei, represent 81.57% of the level provided in the BVC for the period and 85.94%, compared to 2016.

According to the share of the realized revenues, in total revenues, two main categories can be identified: the basic activity of the company (strictly operational), generating revenues in 95.28% of the total and the activity of active sales, according to the strategy approved by the General Meeting of Shareholders of the company restructuring, with revenues in percent 3.54% of the total.

The total gross profit realized amounting to 2,212,932 lei shows, by activity, the following structure:

- Operating activity **1.249.200 lei; 56,45 %;**
- Financial activity, **347.667 lei; 15,71 %;**
- Asset sales activity **616.065 lei; 27,84 %;**

On 31st of December 2017, the company registered a gross profit of the basic activity of **1,596,867 lei**, which means an increase of 122.51% over the budgetary provisions, having the structure as follows:



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- The gross operating income of **1,249,200 RON** - with a 4.10% increase over the budget provisions;
- The gross profit from the financial activity, of **347,667 lei** - with an increase of 87.93% over the budgetary provisions.

Regarding the **gross profit** from the sale of assets, we record a value of **616,065 lei**, which represents a non-implementation of this indicator by 86.91%, compared to the budgetary commitments of **4,706,400 lei**. The decrease was due to the non-realization of the sales of assets. In the quantification of the Sales of Assets indicator, the largest share was the value of the Semiramis Complex, whose sale had been budgeted and did not materialize as a result of abandoning the buyer's request made by the current tenant .

Although efforts have been made to sell other assets within the restructuring strategy, the unfavorable market situation has not allowed them to materialize.

The management of the company took steps in 2017 to strictly track spending and resize.

Mainly, they consisted of:

- Managing the arrival of tourists to certain hotels and restaurants to ensure a degree of occupancy that allows them to be exploited in conditions of efficiency and for the others to ensure minimum operating terms;
 - reducing the consumption of utilities and optimizing them by setting the rules of crisis consumption;
 - the direct supply of units, aiming at reducing transport, storage and distribution costs.
 - rhythmical supply, based on a well-founded "necessity", provision of minimum stocks;
 - staff's framing in proportion to income developments;
 - return of goods to suppliers when closing units;
 - restriction on general and administration expenditure;
 - pursuing very strictly the coreland's treasury cash flows with payments, reducing the balance of the loan account and the related interest;
 - strict monitoring of state and local government and partner budgets in order to avoid delays that may lead to the payment of possible penalties and / or fines;
 - the collection of receivables, the observance of the procedure for their recovery.



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Concluding, at the end of 2017, T.H.R. Marea Neagră S.A. registered a gross profit of 2,212,932 lei, and a net profit, determined after the deduction of deferred tax and of the specific amount calculated, according to the legal regulations, in the amount of 1,691,836 lei.

3. Financing the activity

During 2017, S.C. THR Marea Neagra S.A. financed its activity by using its own sources, as well as by employing two credit lines totaling **9,900,000 lei**. At the end of 2017, the situation of the two credit lines is as follows:

- The credit line amounting to 2,400,000 lei was reimbursed on 31st of October 2017 according to credit agreement;
- The credit line amounting to 7.500.000 lei – was unused at the end of the year

Regarding the payment obligations, the company does not register outstanding debts in relation to the state budget, banking institutions and other authorities as of **31st of December 2017**.

4. Tangible assets of the commercial company

4.1. The main accommodation and catering facilities of the company, which are in the touristic circuit in 2017, consist of:

Housing units:

- 2 hotels of 4*, with a total capacity of 992 housing places
- 8 hotels of 3*, with a total capacity of 3.454 housing places
- 9 hotels of 2*, with a total capacity of 2.152 housing places

Public nourishment units:

- 2 restaurants of 4*, with a total capacity of 773 places
- 6 restaurants of 3*, with a total capacity of 2.520 places



- 5 restaurants of 2*, with a total capacity of 1.468 places
- 2 day bars of 4* with a total capacity of 120 places
- 9 day bars of 3* with a total capacity of 464 places
- 1 day bar of 2* with a total capacity of 60 places
- 2 buffets of 1* with a total capacity of 120 places

Recreational units:

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

Spa treatment units:

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

In total, the company had in the tourist circuit in 2017 **6,598** accommodation places and **5,525** public catering places, the distribution by resorts being presented below:

Class. Categ.	Eforie Nord		Eforie Sud		Venus		Saturn		General Total	
	units	cap	units	cap	units	cap	units	cap	units	places
****	1	438	0	0	0	0	1	554	2	992
***	0	0	0	0	2	512	6	2.946	8	3.454
**	3	502	2	444	0	0	4	1.206	9	2.152
Housing Total	4	940	2	444	2	512	11	4.706	22	6.598
Class. Categ.	Eforie Nord		Eforie Sud		Venus		Saturn		Total general	
	units	cap	units	cap	units	cap	units	cap	units	cap
Restaurants										
****	1	219	0	0	0	0	1	554	2	773
***	0	0	0	0	1	220	5	2.300	6	2.520
**	1	226	1	224	1	264	2	754	5	1.468



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Registration No. Trade Register of Constanța: J13/696/1991, CIF: RO2980547,

IBAN Account: RO71 RNCB 0117 0151 6314 0001, Banca Comercială Română – Mangalia Agency

Subscribed and Paid Capital : 57.894.993,9 lei

Company managed in a dualistic system

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Total	2	445	1	224	2	484	8	3.608	13	4.761
Class. Categ.	Eforie Nord		Eforie Sud		Venus		Saturn		Total general	
	units	cap	units	cap	units	cap	units	cap	units	places
Bars										
****	1	80	0	0	0	0	1	40	2	120
***	0	0	0	0	2	134	7	330	9	464
**	1	60	0	0	0	0	0	0	1	60
Day bars total	2	140	0	0	2	134	8	370	12	644
Buffets										
*	0	0	1	30	0	0	1	90	2	120
Buffets total	0	0	1	30	0	0	1	90	2	120
Public nourishment total	4	585	2	254	4	618	17	4.068	27	5.525

4.2 Describe and analyze the degree of wear and tear of the properties of commercial companies

The company's assets are more than 45 years old, generally built between 1968 and 1972. The assets in the tourist circuit have classification certificates and legal authorizations, fulfilling the legal requirements for the respective comfort category.

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

A particularity of the activity is the existence in the patrimony of nonfunctional productive and auxiliary units and others with partial functioning, which strike the basic activity



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and the economic result, given the investment necessity and the acute lack of funds, the low market of the real estate market and implicitly the reduced possibility to capitalize the assets approved for sale through the company strategy.

These assets generate both fixed and variable expenses necessary for the preservation, the fixed expenses related to the taxes and taxes, being amended by the Law no.227 / 2015 regarding the Tax Code with applicability starting with 1st of January 2017.

To optimize these costs, it has been provided for the partial operation of some assets wherever possible, in order to reduce the volume of recorded losses.

5. Assessment of investment and development activity

The company is constantly searching for solutions to reduce costs, but also to attract new customers. The company has implemented alternative solutions for the production of hot water for the preparation of domestic hot water with solar energy, the solution being expanding. At the same time, given the fact that the local administration has completed the investment of the gas supply of the resorts, the company is considering the connection of the thermal power stations and the food blocks to the gas network, with a positive impact on the environment and the efficient use of the financial resources.

The company has also completed the implementation of the integrated IT system for all accommodation units and public catering that it owns with the IT systems of the main partners (National House of Public Pensions, Tour Operator Agencies) so that it can be obtained in real time information on the valorisation of tourist packages and their re-allocation according to requests as well as the reconfiguration of the tariff and sales policy.

In 2017, the company made significant investments amounting to **4,424,384 lei** (including VAT), presented in the following table:

Crt No	The investment objective	Value
1	Rehabilitation and execution of ventilation and air-conditioning installations, ventilation and air-conditioning systems, painting, electrical and sanitary installations Hotel Cleopatra	980.510
2	Exterior paintings, sanitary and electrical installations R Brad, H Lidia, H Athens, H Cerna, H Mures, H Prahova, H Siret, H Capitol, R Balada, Balada pool, R Venus, R Lidia, R Bega, R Siret, R Sirena, R Prahova, H Raluca, R Aida, H Hora, H Vraja Marii	549.085
3	Installation 114 pieces entrance doors, 3250 sq m carpet installation, door finishing	375.116



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	works, electrical and sanitary installations Hotel Balada	
4	Construction works, waterproofing and other works R Cleopatra, BBB pool, R. Orion, R Narcissus, Cleopatra cat, CT Vraja Marii, R.Capitol, H Gloria, GG Jupiter	296.170
5	Exterior painting, Sanitary facilities Cerna Restaurant	254.778
6	Rehabilitation of air conditioning, electrical installations, sanitary Sirena Hotel	227.050
7	Rehabilitation works sanitary, electrical, sanitary works Aida Hotel	214.269
8	Ventilation and air conditioning systems, outdoor painting works, sanitary facilities Bran Hotel	198.736
9	Ventilation and air conditioning systems, exterior painting, sanitary installations Brad Hotel	191.162
10	Ventilation and air conditioning systems, exterior painting, sanitary installations Bega Hotel	183.812
11	Waterproofing and other waterproofing work Diana Hotel	146.246
12	Rehabilitation works for sanitary groups Tosca Hotel	113.049
13	Rehabilitation works 8 sanitary groups and other works Venus Hotel	94.176
14	Exterior painting and electrical installations H Magura, Ef.Sud Cold Baths, Narcisa Buffet, Saturn Laundry	86.803
15	Authorization of ISU R Lidia, H Lidia, R Sirena, R Balada, R Hora, R Narcis, H Sirena, H Narcis, H Hora, R Cleopatra, H Cleopatra, H Balada, R Brad, H Brad, H Bega, H Bran, R Bega, R Capitol, H Capitol and Plan fire intervention complex Narcis	55.302
16	Exterior Painting R Magura, R Minerva, R Sulina, R Danube, CP 3, Saturn Coffetarie, Raluca Pool	36.811
17	Implementation Clarvision Economic Management System (program, server)	14.622
18	Clearing places play Cleopatra and Ballada Pool	10.622
19	Various Endowments	10.329
	INVESTMENT TOTAL without VAT	4.038.646
	VAT	385.738
	INVESTMENT TOTAL without VAT	4.424.384

For the investment financing sources were used to finance the investments:

Explanations	Value (lei)
Cash-flow generated by the sale of assets with full payment / rates (with VAT) after the tax on profit	1.515.619
Development fund	241.300
Sources of financing on the previous year	11.000.000
Payment	6.897.701
Own sources of financing	19.654.620
Repayment rates + interest rate credit investments	-883.400



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Explanations	Value (lei)
Return of good execution guarantees	-52.000
Dividends	-3.936.960
Total founding sources	14.782.260

The share of the contribution in the financing of the investments was represented by the own sources, resulting from the performed activity.

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

Disputes concerning the ownership of the buildings belonging to S.C. T.H.R. Marea Neagra S.A.

* **PTTR Agency Travel Saturn Travel Agent**, in contradiction with CN Romanian Poste.

7. Market of securities issued by the company

7.1. Specification of the markets in Romania and other countries where the securities issued by the trading company are negotiated.

It is a publicly owned company, according to the terminology provided by Law 24/2017 on the capital market, being registered with the National Securities Commission - Securities Evidence Office.

T.H.R. Black Sea S.A. are listed in the 2nd category of the Bucharest Stock Exchange starting August 15, 2002, with the symbol "EFO". On the last trading day of 2017 and 30.12.2017 respectively, at the closing of the Stock Exchange, the shares of THR Marea Neagra SA were quoted at a value of 0.098 lei / share, compared to 0.0826 lei / share on 30.12.2016.

7.2. Description of the company's policy on dividends. Specification of the dividends due / paid / accumulated over the last 3 years and, if applicable, the reasons for the possible diminishing of dividends over the last 3 years.



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For the year 2014, the General Meeting of the Shareholders decided the distribution of the profit for the constitution of legal reserves, own sources of financing and dividends amounting to 2.026.325 lei.

For the year 2015, the General Meeting of the Shareholders decided the distribution of the profit for the constitution of legal reserves, own sources of financing and dividends amounting to 3,137,436 lei.

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

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

The company did not acquire its own shares in 2017.

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

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

-100% of the share capital of S.C.Balneoterapia S.R.L.

-32,059% of the share capital of S.C. Transilvania Hotels & Travel.

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

The company did not issue bonds in 2017.

8. Management of commercial company

8.1. Until 8th of November 2017, the company was managed in a unitary system, the management being assured by the Board of Directors made up of:

- * **Mielu Dobrin – President**
- * **Dragos Calin – Member**
- * **Titus Prescure – Member**
- * **Dorinel Cazacu – Member**
- * **Nicolae Butoi – Member**



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On 08.11.2017, the General Meeting of Shareholders changed the management system from unitary to dualist system, appointing a Supervisory Board consisting of 3 members:

- * **Mielu Dobrin - President**
- * **Dragoș Calin - member**
- * **Danut Florin Buzatu - member**

All members of the Supervisory Board were elected at the proposal of the majority shareholder S.I.F. Transylvania. Until 8th of November 2017, the Board of Directors convened periodically in sessions, according to the provisions of Law 31/1990 republished and in accordance with the provisions of the Constitutive Act.

The Board of Directors has monitored the operational and financial performance of executive management through its established performance indicators and criteria and other approved programs. All efforts of the Board of Directors were aimed at fulfilling the company's mission to provide quality services with the help of qualified staff. Also, the priority objective is to develop the technical-material basis, to rehabilitate and modernize the existing one, through a coherent and consistent investment program, in the context of a real environmental protection.

The Board of Directors has pursued the program of activity proposed for 2017, the execution of the monthly and annual income and expenditure budget and the approved investment and repair program.

The anticipation and organizational effort of the Board of Directors has resulted in future company development programs, marketing programs, computerization programs, personnel promotion and recruitment programs and increasing the quality of the tourism product, procedures systems for the main activities of the company and reconsidering its organizational structure.

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

It's not necessary.

c) the attendance of the members of Supervisory Board in the capital of the commercial company;

Mister. Mielu Dobrin, chairman of the Supervisory Board, holds 406,759 shares issued by the company.



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d) List of persons affiliated to the commercial companies

Persons affiliated to THR Marea Neagra SA company are:

- S.I.F. Transilvania S.A., company that has 77,71 % from the actions issued by T.H.R. Marea Neagra S.A.;
- Saturn S.R.L. Balneotherapy, company whereat S.C. T.H.R. Marea Neagra S.A. has 100% from the issued social parties;
- Transilvania Hotels & TravelS.A., company whereat T.H.R. Marea Neagra S.A. has 32,059% from its social capital.

8.2. Presentation of the list of members of the executive management of the commercial company.

Until 8th of November 2017, the management of the company was insured by Mrs. Moșoiu Georgiana Narcisa-General Manager based on the mandate contract concluded according to the provisions of Law 31/1990 on commercial companies.

From 8th of November 2017, the Supervisory Board appointed the Company's Directorate with the following composition:

- **Moșoiu Georgiana Narcisa - Presedinte Directorat /Director General**
- **Cazacu Dorinel – Member of the Board**
- **Pârcălabu Doina Domnica – Member of the Board of Directors / Commercial - Financial Manager**

a) the duration of the term of office given to the members of the Board of Directors

The members of the Board of Directors concluded a contract with the company according to the provisions of Law 31/1990 on commercial companies, contract expiring on 9th of November 2018.

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

It's not necessary.

c) attendance of the respective person in the capital of the commercial company.

Mrs. Narcisa Georgiana Moșoiu owns 1,500 shares issued by the company.



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

It's not necessary.

9. Assessing the business of the company on risk management

9.1. The management of the company has ensured and ensured a prudent management of liquidity risk, always pursuing sufficient cash insurance so as to cope with the payment in due time.

The specific nature of the activity, determines the exposure of the company to a variety of risks with a general character but also risks specific to the activity and the financial market on which it operates. Risk is defined as the possibility of recording unfavorable deviations in results against an expected level due to random fluctuations. Significant risks are the risks with a significant impact on the patrimonial and / or reputation 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 activity carried out, the company may face uncontrollable risks, which are generally associated with external factors such as macroeconomic conditions, legislative changes, changes related to the competitive environment, etc. However, as a rule, the company faces controllable risks, for which active policies and procedures (analysis, monitoring and control) are adopted. These risks are associated with internal factors such as the nature of the activity carried out, the complexity of the organizational structure, the quality of the staff, etc.

The main risks to which the company is exposed, are:

- interest rate risk
- credit risk
- risk of liquidation
- operational risk



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Interest rate risk

Company's operating cash flows are affected by interest rate variations, mainly for credit lines contracted according to the ROBOR rate. In recent years, the ROBOR benchmark had a relatively constant trend, which makes this risk to be reduced.

Credit risk

Credit risk is the risk of loss or non-performance of estimated profits as a result of non-fulfillment of financial obligations.

Liquidity risk

Liquidity is the ability of a company to provide the necessary funds to meet all its direct and indirect payment obligations at a reasonable price at any time. The liquidity risk is the actual or potential risk that the profits and capital of the company could be subject to because of its impossibility to meet its payment obligations at the time of maturity.

The company has always sought to ensure a balance between its sources of financing and its short-term needs, so it has always had liquidity to meet its financial obligations.

The company prepares monthly cash-flow forecasts for periods ranging from 6 months to one year, so it can detect a possible lack of liquidity on time and take action accordingly.

Operational risk

Operational risk is defined as the risk of loss or non-realization of estimated profits due to internal factors such as inadequate performance of internal activities, the existence of inadequate personnel or systems, or due to external factors such as economic conditions, changes on the capital market, technological advances. Operational risk is inherent to all the Company's activities.

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

9.2. Perspectives on the business activity of the company

One of the products with high potential for growth in the future is spa tourism.



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Company units are located in resorts with natural cure factors.

The company has identified this opportunity and obtained licenses to exploit these natural resources, expanding the capacity of treatment bases so that we can cope with the demand for such services.

This segment of the spa tourism will ensure the reduction of the tourist seasonality effects and will help us to attract tourists from abroad, especially from the European area.

European Directive no. 24/2011 sets the rights of patients in cross-border healthcare, providing the legal framework to guarantee the rights of European citizens to receive healthcare in all EU countries. One of the main concerns of the company is to attract this segment of tourists.

Another development direction is leisure tourism, which is a priority for the company, with the designing of the environment, including the development of recreational facilities.

A major concern of the company is the expansion of distribution channels.

The company is in a continuous search for new clients, and the consolidation of the market relations with the current customers.

10. Corporate Governance

The Board of Directors met regularly in meetings, according to the provisions of Law 31/1990 republished and whenever necessary, its attributions being stipulated in the Articles of Incorporation.

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

During 2017 the activity of the Board of Directors was focused on the achievement of the object of activity of the company according to the decisions of the General Government, the legal provisions and the provisions of the Constitutive Act.

One of the constant concerns of Board members was the increase in sales through the development of the sales department, the identification of new clients and the loyalty of the traditional customers. Also, the promotion of tourism products policy has been improved by launching special offers and customized offers for specific tourist categories.



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Also, the Board of Directors was concerned with asset sales, approving the minimum prices and conditions for the sale of these assets. The company has actively searched for potential clients, organized public auctions, and advertised for such transactions.

Company litigations are systematically monitored by the administration, so that each meeting of the council had at least one point on the agenda of the company's main litigation.

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

With the transition to the dual system of administration, the Supervisory Board set up two committees with the following structure:

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

The attributions of the Board of Directors are clearly established and are stipulated in the mandate agreements concluded with the company.

An internal control system has been implemented within the company, with working procedures established for the main activities. Internal control is ensured at all levels, within the company there is an Internal Financial Control and Management Office.

The internal audit activity is provided by S.C. Romar-CO Audit SRL, and starting with 8th of January 2017 the internal audit is directly subordinated to the Company's Directorate.

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

The financial and accounting reports of the company are sent to the tax authorities market organizations, at the time stipulated by the law.

The Company records on 31st of December 2017 a share capital of 57,894,993.90 lei, subscribed and paid-up share capital, representing 578,949,939 nominative, ordinary, dematerialized and indivisible shares with a nominal value of 0.1 lei / share.

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



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

During 2017, the subscribed and paid-up share capital did not change, the structure of the shareholders on 31st of December 2017 taken from the BVB site is the following:

Shareholders	Percent	Number of shares	Capital value (lei)
SIF Transilvania S.A.	77,7131%	449.920.140	44.992.014.00
Others (legal and physical persons)	22,2869%	129.029.799	12.902.979.90
TOTAL	100,00%	578.949.939	57.894.993.90

The Company does not have employee share schemes and there are no restrictions on voting rights. Nor is it aware of agreements between shareholders that may result in restrictions on the transfer of securities and / or voting rights.

The appointment or replacement of the members of the management of the company, as well as the modification of the constitutive acts are made according to the legal provisions, without the company having special rules in this respect. Until now, the proposals of members of the Supervisory Board have been made by the majority shareholder, the appointment being decided by the General Meeting of Shareholders. The Chairman of the Supervisory Board is elected by voting by the members of the Supervisory Board.

The meetings of the general shareholders meetings are as follows:

- the list of shareholders' shares, the social capital that each of them represents and the observance of the legal requirements and the provisions of the Articles of Incorporation for the holding of the general meeting;

- the items on the convocation's agenda are presented and submitted to the vote;

- AGA decisions are made by open vote, except for the appointment of the members of the Supervisory Board and the financial auditor for whom the secret vote is mandatory;

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



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Shareholders have non-property rights (right to participate in shareholders' general meetings, voting rights, information rights) and patrimonial rights (right to dividends and the right to alienate shares).

11. Conclusions and proposal for distribution of company profit

In 2017, the company carried out its activity in accordance with the provisions of the Articles of Incorporation, of the decisions of A.G.A., of B.V.C., in compliance with the legislation in force regarding the organization and reflection in the accounting of the specific activity, as well as of the capital market regulations.

At the end of 2017, the Company registers:

- a recovered loss of **768,515.72 lei** resulted from the correction of the accounting errors (**10,650 lei** representing the registration in 2016 of some expenses related to the services rendered by Man-Co SRL in 2015, **793,063 lei** representing the amount of projects elaborated in order to modernize the material base , not yet in operation until this date, expenses related to the 2009-2012 period), which the directorate proposes to cover from "The reported result representing the surplus from the revaluation reserves (account 1175);
- a net profit of **1.691.836 lei**.

The Board of Directors proposes the next distribution of profit as at 31st of December

2017:

1. **To the legal reserve according to art. 183 of Law 31/1990 of the commercial**



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companies, republished	110.647,00 lei
2. Distribution to other reserves	741.711,59 lei
3. Distribution of dividends to shareholders	839.477,41 lei

GENERAL MANAGER/EXECUTIVE PRESIDENT
Narcisa Moșoiu

ADMINISTRATIVE MANAGER/VICE-PRESIDENT OF THE BOARD OF DIRECTORS
Dorinel Cazacu

HUMAN RESOURCES MANAGER/MEMBER OF THE BOARD OF DIRECTORS
Doina Pârcălabu

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