



TURISM, HOTELURI, RESTAURANTE MAREA NEAGRA S.A.

Head Office: Romania, Mangalia, Lavrion Street, No.29, Constanța County,
Phone: +40-241-752-452 Facsimil: +40-241-755

-559 Registration Number in the Trade Register of Constanța: J13/696/1991, CIF: RO2980547,
IBAN Account: RO71 RNCB 0117 0151 6314 0001, Banca Comercială Română – Mangalia Agency
Subscribed and paid capital: 57.894.993,9 lei
Two tier model

Website: www.thrmareaneagra.ro

B. Annual Report 2018

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

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

for the financial exercise ended on 31st of December 2018

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

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

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

Unique registration code at the Trade Register Office: 2980547

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

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

Subscribed and paid capital: 57.894.993,9 lei

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

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

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

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

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

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



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On the issuing date of this Report, THR Marea Neagră is unaware of the existence of some agreements or family relationships of the members of the Supervisory Board and other person due to which they have been appointed managers.

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

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

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

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

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



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

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

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

Registered office: **Lavrion Street, No. 29, Mangalia, Constanța County**

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

Unique Registration Code at the Trade Register Office: **2980547**

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

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

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

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

1. ANALYSIS OF THE COMPANY'S ACTIVITY

1.1. a) Description of the basic activity

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

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

b) Date of Company's foundation

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

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



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

c) Description of the significant mergers and reorganizations

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

d) Description of acquisitions and/or asset transfers.

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

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

1.1.1. General assessment elements:

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

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

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

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

In order to attenuate the seasonality, the company has oriented its investment program towards the development of its own facilities for the provision of medical treatment services through the use of specific natural factors, currently having 4 bases of treatment in the Hora hotel



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complexes, „Balada”, „Sirena”- Saturn and „Bran-Brad-Bega ”Hotel Complex in Eforie Nord, the latter being put into operation in 2012.

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

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

1.1.2. Assessment of the company's technical level

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

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

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

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

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

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

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



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b) Income structure by main categories of services:

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

The total income, excluding the provisions for cancellation of provisions, recorded by the company in the financial year 2018, amounts to 63.544.756 lei, knowing an increase compared to the total revenues of 2017 (39.058.296 lei) by 62,69%.

Within the total revenues of 2018, the turnover amounts to 46.416.147 lei, which represents an increase compared to the turnover of the previous year (34.420.176 lei) by 34,85%.

Turnover revenue in 2018 was achieved through the following activities:

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

The share in the turnover structure is the income from the activity of accommodation – 63,33%.

Income from public catering accounted for 30,02% of turnover, and rental income recorded a small share of turnover of 3,04%.

The group „Other incomes”, reflected in the turnover, achieved through secondary activities (treatment, parking, swimming pools) amounted to 1.676.723 lei and represents, compared to 2017, a reduction of 30,13% due to the decrease in the number of seats auctioned by the National House of Public Pensions for treatment services packages.



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

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

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

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

- facilities for families with children;
- "Early Enrollment" program;
- capping up to 18% of agency sales commissions against contract charges;
- the non-provision of the catering services by the beneficiary, for which the provider grants a commission of 13%;
- granting additional (volume) discounts at the end of the season.

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

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

1.1.3. Assessment of the technical and material supply activity

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

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



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

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

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

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

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

1.1.4. Assessment of sales activity

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

The company has mainly been operating on the basis of tourism service contracts concluded with travel agencies, the National House of Public Pensions (treatment contract), other beneficiaries (trade unions, organized groups, etc.), on-line sales and for individual tourists arriving on their own. In 2018, compared to the BVC and the achievements of the previous year, tourist traffic is as follows:

Explanation	Treatment	Agencies	Own account + Online	Tourist days	TOTAL
				Other beneficiaries	
<i>Accomplished on 31st of December 2018</i>	<i>109.664</i>	<i>261.094</i>	<i>29.297</i>	<i>35.284</i>	<i>435.339</i>
<i>BVC 2018</i>	<i>128.563</i>	<i>185.247</i>	<i>33.311</i>	<i>33.894</i>	<i>381.015</i>
Differences accomplished 2018 beside BVC 2018	(18.899)	75.847	(4.014)	1.390	54.324
Completion percentage 2018/BVC 2018	85,30%	140,94%	87,95%	104,10%	114,26%
<i>Accomplished on 31st of December 2017</i>	<i>128.563</i>	<i>189.201</i>	<i>32.152</i>	<i>32.619</i>	<i>382.535</i>
Differences accomplished 2018 beside 2017	(18.899)	71.893	(2.855)	2.665	52.804
Percentage accomplished 2018/ accomplished 2017	85,30%	138,00%	91,12%	108,17%	113,80%
Weights in the structure 2018	25,19%	59,97%	6,73%	8,10%	100,00%
Weights in the structure 2017	33,61%	49,46%	8,40%	8,53%	100,00%



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As it can be seen, in the year 2018 there was a touristic circulation of 435.339 days-tourist, representing an increase compared to the budgeted indicator (381.015 days-tourist) by 14,26%, and an increase compared to the year 2017 (382.535 days-tourist) by 13,80%.

In the 2018 season, occupancy was higher than in 2017. Thus, in the 2018 season the units were opened between 23rd of May and 30th of September 2018, with an average occupancy rate of 73,12% , while in the 2017 season the units were opened during the same period of the year, registering an average occupancy of 67,18%.

From the analysis of the tourist traffic, we note:

- The treatment contract with the National House of Public Pensions (CNPP) provided a tourist flow of 109.664 tourist days, in 2018, with 18.889 tourists less than the budget forecast. This decrease is due to the decrease in the number of seats auctioned by CNPP on resorts.
- Touristic travel by travel agencies increased compared to 2017, with 71.893 tourist days, and compared to the budget forecast, it registered an increase of 75.847 tourist days. This increase is mainly due to holiday vouchers.
- The self-profitable and online sales segment recorded a slight decrease, which was influenced by the revaluation of the tour operators' contracts, which led to a decrease in the availability of other channels.
- The company also concluded contracts with other beneficiaries (trade unions, associations, sports federations, etc.), on the basis of which a touristic circulation of 35.284 tourists was made, compared to 33.894 touristy days, which represents an increase of 4,10 % compared to budget provisions.

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

Explanations	Treatment	Agencies	Own account	Other beneficiaries	Online	TOTAL
Number of tourists 2018	6.911	43.561	2.888	6.166	4.517	64.043
Number of tourists 2017	8.260	29.182	3.908	4.928	5.325	51.603
Differences 2018/2017	(1.349)	14.379	(1.020)	1.238	(808)	12.440
% 2018/2017	83,67%	149,27%	73,90%	125,12%	84,83%	124,11%
% 2018/ Partners	10,79%	68,02%	4,51%	9,63%	7,05%	100,00%
% 2017/ Partners	16,01%	56,55%	7,57%	9,55%	10,32%	100,00%



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Explanations	Treatamen t	Agencie s	Own account	Other beneficiari es	Online	TOTAL
Medium stay 2018	15,87	6,00	3,75	5,72	4,09	6,8
Medium stay 2017	15,56	6,48	3,04	6,62	3,80	7,41
Differences 2018/2017	0,31	(0,48)	0,71	(0,90)	0,29	-0,61

As a result of the analysis of the situation presented above, the average stay indicator registered a slight decrease in the year 2018, representing 6,8 days of average stay compared to 7,41 days of average stay in 2017 (reduction due to the decrease of the number of tourists arriving through CNPP, respectively the increase in the share of those arriving through agencies, which have shorter stays).

The employment rate registered in the company in 2018 was 73,12% compared to 67,18% achieved in 2017.

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

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

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

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

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



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

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

Share of each distribution channel in total year 2018:

Explanations	CNPP	Tourism agencies	Own account	Other beneficiaries	Online	TOTAL
<i>Tourist days 2018</i>	<i>109,664</i>	<i>261,094</i>	<i>10,826</i>	<i>35,284</i>	<i>18,471</i>	<i>435,339</i>
Total weights 2018 (%)	25.19%	59.97%	2.49%	8.10%	4.24%	100.00%

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

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

1.1.5. Assessment of the employee / company staff issues

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

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



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

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

Crt. No.	Indicator	2018	2017	Index 2018/2017 (%)
1	Gross salary costs (excluding salaries of members of the Supervisory Board, members of the Board of Directors, the day-to-day) (lei)	10.318.733	7.646.876	134,94%
2	Average number of employees	316	322	98,21%
3	Turnover (lei)	46.416.147	34.420.176	134,85%
4	Work productivity (lei/employee)	146.780	106.895	137,31%
5	Gross monthly average wage (lei)	2.719,21	1.977,66	137,50%
6	Average gross salary in economy (lei)	4.162,00	3.131,00	132,93%
7	Minimum gross salary on the economy (lei)	1.900,00	1.450,00	131,03%

Gross wage costs in 2018 rose by 34,94% compared to 2017, when the average number of employees decreased by 1,79%. The increase was determined by the increase in the gross minimum wage in the economy, from 1.450 lei to 1.900 lei, due to the transfer of social security contributions and health insurance contributions from employer to employee (OUG no.79 / 2017) .

Regarding the efficiency of the use of human resources commensurate with labor productivity, it registered in 2018 an increase compared to 2017 by 37,31%.

Compared to the average gross salary of 4.162 lei, the gross salary registered by the company of 2.719,21 lei is 65,33%.

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



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

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

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

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

2. FINANCIAL-ACCOUNTING SITUATION

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

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

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

ASSET	The value on 31 st of December 2018 (lei)	The value on 31 st of December 2017 (lei)	The value on 31 st of December 2016 (lei)	Variation 2018/2017 (%)	Weight 2018 in total of assets (%)
Intangible assets	350.357	396.453	486.094	88,37%	0,13%
Tangible assets	177.378.197	183.895.784	213.085.900	96,46%	67,18%
Real estate investments	16.065.300	17.191.112	16.350.751	93,45%	6,08%
Financial assets	2.000	2.434.010	2.434.010	0,08%	0,00%
Fixed assets (including debts on deferred tax)	1.416.286	1.404.650	1.394.641	100,83%	0,54%
TOTAL FIXED ASSETS	195.212.141	205.322.009	233.751.395	95,08%	73,93%



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ASSET	The amount on 31 st of December 2018 (lei)	The amount on 31 st of December 2017 (lei)	The amount on 31 st of December 2016 (lei)	Variation 2018/2017 (%)	Weight 2018 in total assets (%)
Stockages	294.185	442.128	617.337	66,54%	0,11%
Debts	2.558.816	4.868.822	6.080.021	52,56%	0,97%
Financial assets	0	0	0	0,00%	0,00%
Cash availability	27.411.276	4.439.143	7.337.535	617,49%	10,38%
Assets classified as held for sale	37.666.185	36.516.013	11.007.555	103,15%	14,27%
Expenses registered in advance	895.292	782.016	923.273	114,49%	0,34%
TOTAL CIRCULATING ASSETS	68.825.754	47.048.121	25.965.721	146,29%	26,07%
TOTAL ASSET	264.037.895	252.370.130	259.717.116	104,62%	100,00%

Within the assets of the company the largest share is held by immobilized assets (73,93%), and tangible assets representing 67,18% of total assets.

On 31st of December 2018, the fixed assets show a decrease of 4,92% as compared to 2017, a decrease due:

- The reduction recorded by the Tangible assets indicator, following the exit of the company's assets through the sale of some assets (Villa Flora from Eforie Nord - building and land, 383 sqm land in Danube Village Holiday, Lidia Hotel and Restaurant in Venus - building and land, Carmen Snack Bar in Eforie Nord, Saturn Tea Room - building and land), the disposal of fixed assets and depreciation;
- The decrease recorded on the **Financial Assets indicator**, as a result of the depreciation of the non-current financial assets represented by the shares held at Transilvania Hotels & Travel SA Bucharest (insolvency) as required by IFRS as an asset to be impaired when there is evidence of impairment, depreciation being in the amount of **2.432.010 lei**
- The reduction recorded by the Real estate investment (rented / rented assets), as a result of the reclassification of the Claudia Complex (hotel and restaurant - building and land) from rented assets in assets held for sale, with a view to sale for sale in December 2018.

The current assets, which represent 26,07% of the total assets of the company, show a significant increase, with 46,29% compared to the level achieved in the previous year, due to:

-the increase of the **Cash Availabilities** from 4.439.143 lei as at 31.12.2017 to 27.411.276 lei at 31.12.2018, the percentage signifying an increase of 517,49%;



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-increase of the Assets indicator classified as held for sale with the amount of Claudia Complex reclassified from Real Estate Investment.

The Company's debts, an indicator that is part of the current assets, registers on 31st of December 2018 a deduction of 47,44% against the debts registered on 31st of December 2017, and at the date of this report's drawing up, the company's debts registers a deduction of 57,38% beside those recorded on 31st of December 2017.

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

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

The *company's debts* consist of:

- commercial receivables represented by tourist services and other services rendered by THR Marea Neagră to third parties in the amount of 2.515.538 lei which were adjusted with the amount of 1.727.934 lei representing debts older than one year for the services rendered to Rugby Club Constanta, Marea Comtur SRL, Transilvania Hotels & Travel SA, Romanian Boxing Federation, Sind Tour Operator, ACS Cuza Sport, Ager Construct and Remat Sud Mangalia;

-debts to the state budget represented mainly by VAT to be recovered in the amount of 1.547.848 lei;

-other receivables are represented mainly by interest receivable at deposits with BCR in the amount of 46.049 lei in December 2018 and will be cashed in January 2019, various attachments of ANAF which in January 2019 will be extinguished from the debts of the company to the Budget of State, attachments Bureau Executor Judges representing sums due to Mateevici and associates, withheld by the bank and paid by the company, the amounts paid in addition being refunded by BEJ in January 2019.



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

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

Within the liabilities, the largest share is the own capital (91,84%), the share capital accounting for 21,93% of the total liabilities of the company.

The own capitals on 31st of December 2018, they know an increase of 3,91% compared to the own capital registered on 31st of December 2017, being constituted of:

- subscribed and paid up share capital of 57.894.994 lei, unchanged in the last 3 years;
- issue and merger premiums of 1.895.855 lei, unchanged in the last 3 years;
- reserves consisting of legal reserves and other reserves, in the total amount of 24.201.711 lei, with an increase compared to 2017 (22.894.846) by 5,71%, due to the distribution on other reserves of the amount of 741.712 lei of the net profit of the year 2017 and the legal reserve of the amount of 565.153 lei from the net profit of 2018;
- differences in the revaluation of the company's assets in the amount of 105.189.642 lei which compared to 2017 decreased by 2,16% on the sale of some assets;



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-the retained earnings from the surplus realized from revaluation reserves amounting to 54.909.087 lei have an increase of 4,41% compared to 2017;

-the net result of the exercise in the amount of 9.823.215 lei increased by 480,62% compared to 2017, an increase due to both the sales of assets and the basic activity.

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

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

lei

Crt. No.	The account's name	Debts on 31 st of December 2018	Under 30 days	30-90 days	91-180 days	181-270 days	270-365 days
1	COMMERCIAL DEBTS AND OTHER DEBTS	8.942.597	5.123.048	1.878.227	54.241	8.324	1.878.758
1.1.	Advance payments on the orders account	2.317.080	71.533	372.833	0	0	1.872.714
	Advance payments for active sales based on Sales-Buy Promises	2.245.547	0	372.833	0	0	1.872.714
	<i>Atinimul – Meteor Hotel</i>	<i>466.680</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>466.680</i>
	<i>Media Class – Ancora Hotel</i>	<i>1.170.764</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>1.170.764</i>
	<i>Star 95 SRL – Rapsodia Garden/Restaurant</i>	<i>608.103</i>	<i>0</i>	<i>372.833</i>	<i>0</i>	<i>0</i>	<i>235.270</i>
	Advance payments for tourist services	71.533	71.533	0	0	0	0
1.2.	COMMERCIAL DEBTS	2.085.578	2.085.578	0	0	0	0
	Providers	<i>1.945.476</i>	<i>1.945.476</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>
	Immobilization suppliers	<i>76.793</i>	<i>76.793</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>
	Suppliers – non-billed invoices	<i>63.310</i>	<i>63.310</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>
1.3.	DEBTS WITH STATE AND LOCAL BUDGET	1.410.056	479.279	930.777	0	0	0
	Social Securities	194.630	194.630	0	0	0	0
	Insurance contribution for work	11.771	11.771	0	0	0	0
	Current income tax	930.777	0	930.777			
	VAT under settlement	2.002	2.002	0	0	0	0
	Payroll tax	33.825	33.825	0	0	0	0
	Special funds	7.884	7.884	0	0	0	0
	<i>Average fund</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>



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	<i>Disability fund</i>	7.884	7.884	0	0	0	0
	Other debts with the budget	229.167	229.167	0	0	0	0
	<i>Specific tax semester II 2018</i>	221.167	221.167	0	0	0	0
	<i>Other debts</i>	8.000	8.000	0	0	0	0
1.4.	DEBTS WITH THE PERSONNEL	415.230	415.230	0	0	0	0
	Collaborators	34.529	34.529	0	0	0	0
	Personnel - due wages	123.602	123.602	0	0	0	0
	Personal material benefits due	9.814	9.814	0	0	0	0
	Unmanaged personal rights	2.387	2.387	0	0	0	0
	Remuneration from wages due to third parties	11.185	11.185	0	0	0	0
	<i>CAR</i>	5.293	5.293	0	0	0	0
	<i>Syndicate</i>	1.575	1.575	0	0	0	0
	<i>Attachments</i>	818	818	0	0	0	0
	<i>Alimony</i>	3.499	3.499	0	0	0	0
	Other debt related to staff	233.713	233.713	0	0	0	0
	<i>Personnel transport</i>	5.482	5.482	0	0	0	0
	<i>Manager guarantees</i>	228.231	228.231	0	0	0	0
1.5.	OTHER DEBTS	2.714.654	2.071.428	574.617	54.241	8.324	6.044
	Other borrowings and assimilated debts	402.794	331.043	3.142	54.241	8.324	6.044
	<i>Supplied Term Guarantees</i>	239.779	168.028	3.142	54.241	8.324	6.044
	<i>Received guarantees</i>	163.015	163.015	0	0	0	0
	Shareholder dividends	455.866	455.866	0	0	0	0
	<i>Gross related dividends 2017</i>	421.192	421.192	0	0	0	0
	<i>Net or previous dividends</i>	34.673	34.673	0	0	0	0
	Total various creditors of which:	582.657	11.182	571.475	0	0	0
	Guaranteed active auction	579.180	7.705	571.475	0	0	0
	<i>Const Media Services – CFR travel agency</i>	7.705	7.705	0	0	0	0
	<i>Energoutil Contact – Claudia Complex</i>	571.475	0	571.475	0	0	0
	Various creditors	3.477	3.477	0	0	0	0
	Amounts to be clarified	1.273.337	1.273.337	0	0	0	0
2	SHORT TERM PROVISIONS (for unpaid leave and personal benefits in relation to pensions)	247.034	247.034	0	0	0	0

Short-term debts on 31st of December 2018, including provisions, increased by 70,96% over the same period last year, due to:

-advances in the amount of 2.245.547 lei received for sales of assets based on Active Sales Promises (Meteor Hotel, Ancora Hotel and Rhapsody Garden), advances that will close at the time of signing the sale-purchase agreements;



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-guarantees in the amount of 579.180 lei, collected for participation in active buying auctions (Claudia complex, CFR travel agency), which will be closed at the time of signing the sale-purchase contracts;

-the profit tax calculated at 31.12.2018 in the amount of 930.777 lei;

-amounts in the amount of 1.273.337 lei represent additional building taxes in the amount of 939.413.29 lei and additional land tax in the amount of 333.923.37 lei recognized by the company at cost in the financial year of 2014 and not paid until the finalization the dispute with the Mangalia City Hall following the tax inspection carried out for 2008-2012;

-setting up provisions for unpaid leave and supplementing the benefits of pensioners expected to retire in 2019 (with 12.838 lei).

We mention that on the date of this report, the amount of 822.600 lei representing commercial suppliers was paid out, of which 615.735 lei represents the debt to Transilvania Hotels & Travel SA.

Long-term debts on 31st of December 2018, totaling **13.990.340 lei**, decrease by 8.01% compared to 31 December 2017 (15.209.362 lei), mainly due to full reimbursement, in advance, of the investment loan contracted with UNICREDIT Bank. Long-term debts, including provisions, consist of performance guarantees provided by service providers and fixed assets in the amount of 65.160 lei, from the deferred income tax in the amount of 13.181.121 lei, a non-repayable debt to be recognized as payable debt, depreciation or expense of property, and long-term provisions amounting to 744.059 lei.

The composition of these provisions is the following:

- provision for the amount of **6.000 lei** representing court costs incurred in settling an older file owed to Balu Eugenia
- provision for the amount of **577.125 lei** representing claims for the improvement of the villa Flora during its exploitation by Cârjă Vasile in File no. **3093 / 118/2016**
- provision for the amount of **9.000 lei** representing claims worth the goods stole to the defendant Domuță Maria of unknown authors (tourist accommodated at Sirena Hotel) - File no.10813 / 296 / 2016
- provision for the amount of **10.000 lei** representing the amount of 10.000 paid by the applicant as a fine for the contravention, payment of overtime, claims issued by Dumitrașcu Angela in File no. 3282/118/2018
- provision for the amount of **22.413 lei** representing additional indemnities for the use of phonograms due to the Union of Phonogram Producers;



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- provision for the amount of **78.000 lei** representing taxes and accessories calculated additionally by Eforie City Hall;
- provision for the amount of **41.520 lei** representing court costs, lawyers' fees from files 2639/118/2017 and 4847/212/2010, amount claimed by Mateevici Alexandru, Zellinger, Stoicovici and others in File 15314/212/2018

The Company canceled in 2018 provisions amounting to **386.715 lei**, representing a provision amounting to **352.547 lei** for the final sentence issued in connection with the TV fee owed by THR Marea Neagra SA to the Romanian Television Society for the period 2012-2015 and a provision for **34.168 lei** related to the final sentence pronounced in relation to the remuneration of performers for the years 2013 and 2014 and due to CREDIDAM of Bucharest.

RESULT OF FINANCIAL YEAR 2018

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

Indicators	Accomplished 2018 (lei)	Accomplished 2017 (lei)	Accomplished 2016 (lei)	BVC 2018 (lei)	Index 2018/ 2017 (%)	Index 2018/ BVC 2018 (%)
Total operating incomes whereby:	63.346.095	38.666.833	47.788.719	44.664.470	163,83%	141,83%
Accommodation activity	29.393.891	21.016.132	20.160.054	24.276.000	139,86%	121,08%
Public catering activity	13.932.309	10.128.015	10.617.463	10.250.000	137,56%	135,92%
Rental activity	1.413.225	876.151	1.339.102	1.357.370	161,30%	104,11%
Other income included in the turnover (spa treatment, parking, swimming pool ..)	1.676.723	2.399.878	2.825.792	2.262.600	69,87%	74,11%
Active sales activity	14.673.559	1.382.160	10.919.946	4.700.000	1.061,64%	312,20%
Other income (fixed assets, adjustments, fines, penalties, etc.)	2.256.389	2.864.497	1.926.362	1.818.500	78,77%	124,08%
Total Operating Expenses of which:	50.122.315	36.801.568	42.291.921	39.661.510	136,20%	126,38%
Expenditure on stocks	7.501.716	6.139.255	6.843.669	6.270.000	122,19%	119,64%
Utility expenses	2.752.571	2.260.544	2.550.082	2.615.000	121,77%	105,26%
Employee Benefits Expenditures	12.463.395	11.084.218	10.259.533	12.889.200	112,44%	96,70%
Expenses with amortization and depreciation of fixed assets	6.714.282	6.820.711	6.857.190	6.940.000	98,44%	96,75%
Expenditure on ceded assets and assets held for sale	7.309.729	766.095	5.895.660	727.510	954,15%	1.004,76%
Expenses with other taxes and fees	4.362.672	3.252.799	3.331.056	4.306.500	134,12%	101,30%
Expenditure on external benefits	7.232.427	5.119.548	6.391.764	5.853.300	141,27%	123,56%



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-559 Registration Number in the Trade Register of Constanța: J13/696/1991, CIF: RO2980547,
IBAN Account: RO71 RNCB 0117 0151 6314 0001, Banca Comercială Română – Mangalia Agency
Subscribed and paid capital: 57.894.993,9 lei
Two tier model

Website: www.thrmareaneagra.ro

Other expenses	1.785.521	1.358.398	162.965	60.000	131,44%	-
Operating result	13.223.780	1.865.265	5.496.799	5.002.960	708,95%	264,32%
Financial incomes	585.376	460.791	627.569	396.000	127,04%	147,82%
Financial expenses	2.506.100	113.124	582.023	180.000	2.215,36%	1.392,28%
Financial result	(1.920.723)	347.667	45.545	216.000	(552,46%)	(889,22%)
TOTAL INCOMES	63.931.471	39.127.624	48.416.288	45.060.470	163,39%	141,88%
TOTAL EXPENSES	52.628.415	36.914.692	42.873.944	39.841.510	142,57%	132,09%
GROSS RESULT	11.303.056	2.212.932	5.542.345	5.218.960	510,77%	216,58%
Expenses with current income tax	930.777	0	1.116.307	-	-	-
Expenses with the specific tax	439.630	293.512	0	-	149,78%	-
Expenses with the deferred tax	109.434	227.584	0	-	48,09%	-
Incomes related to the deferred tax	0	0	29.269	-	-	-
NET Result	9.823.215	1.691.836	4.455.307	5.218.960	580,62%	188,22%

Indicators	Accomplished 2018	Accomplished 2017	Accomplished 2016	BVC 2018	Index 2018/ 2017	Index 2018/ BVC 2018
Basic activity						
Operational activity						
<i>Incomes (including the incomes from provision cancellations)</i>	48.672.536	37.284.673	36.868.773	39.964.470	130,54%	121,79%
<i>Expenses</i>	42.812.586	36.035.473	36.196.673	38.934.000	118,81%	109,96%
Gross profit from operational activity	5.859.950	1.249.200	672.100	1.030.470	469,10%	568,67%
Financial activity						
<i>Incomes</i>	585.376	460.791	627.569	396.000	127,04%	147,82%
<i>Expenses</i>	2.506.100	113.124	582.023	180.000	2.215,36%	1.392,28%
Financial gross profit	(1.920.724)	347.667	45.545	216.000	(552,46)%	(889,22)%
Total incomes from the basic activity	49.257.912	37.745.464	37.496.342	40.360.470	130,50%	122,04%
Total expenditures from basic activity	45.318.686	36.148.597	36.778.697	39.114.000	125,37%	115,86%
Gross result from the basic activity	3.939.226	1.596.867	717.645	1.246.470	246,69%	316,03%
Active sales activity						
<i>Incomes</i>	14.673.559	1.382.160	10.919.946	4.700.000	1.061,64%	312,20%
<i>Expenses</i>	7.309.729	766.095	6.095.247	727.510	954,15%	1.004,76%
Gross profit on asset sales	7.363.830	616.065	4.824.699	3.972.490	1.195,30%	185,37%
TOTAL Incomes	63.931.471	39.127.624	48.416.288	45.060.470	163,39%	141,88%



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TOTAL Expenses	52.628.415	36.914.692	42.873.944	39.841.510	142,57%	132,09%
TOTAL GROSS PROFIT	11.303.056	2.212.932	5.542.344	5.218.960	510,77%	216,58%
Profit tax expense + Specific tax expense + Deferred operating profit tax	1.479.841	521.096	1.087.037	0	283,99%	0,00%
NET RESULT	9.823.215	1.691.836	4.455.307	5.218.960	37,97%	188,22%

The total incomes registered in 2018, amounting to 63.931.471 lei (including the provisioning income in the amount of 386.715 lei) recorded an increase of 41,88% compared to the budgeted level (45.060.470 lei) and by 63,39% compared to the volume registered in the previous year 2017 (39.127.624 lei).

The total expenses in the financial year 2018, in the amount of 52.628.415 lei (less the deferred and specific income tax expense), also registered an increase of 32,09% compared to the level foreseen in the BVC for the period (39.841. 510 lei) and 42,57% compared to the expenses of the year 2017 (36.914.692 lei).

According to the activities, according to the share of the realized revenues, in the total revenues, two main categories can be identified: the basic activity of the company (strictly operational), generating revenues of 76,13% of the total revenues and the sales activity assets, in accordance with the strategy approved by the General Meeting of Shareholders of the company, with revenues of 22,95% of the total.

The total gross profit realized in the amount of 11.303.056 lei presents by activity the following structure:

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

On 31st of December 2018, the company recorded a gross profit of the basic activity of 3.939.226 lei, which means an increase of 216,03% over the budgetary provisions (1.246.470 lei) and an increase of 146,69% compared to the realized in 2017 (1.596.867 lei), having the following indicators structure:

- (a) *The gross operating income of* 5.859.950 lei - a 468,67% increase over the budget provisions (1.030.470 lei) and an increase of 369,10% compared to the one realized on 31.12.2017 (1.249.200 lei)



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- (b) **Loss of financial activity**, amounting to 1.920.724 lei - due to the depreciation of the shares held by THR Marea Neagra SA in Transylvania Hotels & Travel SA, a company insolvent in 2017, amounting to 2.432.100 lei

Regarding the gross profit from the sale of assets, we have a value of 7.363.830 lei, which represents an increase of 85,37% compared to the budgetary commitments (3.972.490 lei) and an increase of 1.095,30% compared to the year 2017 (616.065 lei), and is due to the sale of the assets of Lidia Complex (building and land), Riviera Hotel, Flora Villa (building and land), Saturn Confectionery (building and land), the adjacent Carmen Snack Bar Eforie Nord and a lot of land of 383 sqm in the Danube Village.

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

Mainly, they consisted of:

- manage the arrival of tourists in certain hotels and restaurants to ensure a level of employment that enables them to be exploited in an efficient manner and the others to ensure minimum operating conditions;
- reducing the consumption of utilities and optimizing them by setting the rules of crisis consumption;
- direct delivery of units to reduce transportation, storage and distribution costs.
- the rhythmical supply, based on a well-founded necessity, the provision of minimum stocks;
- staffing in proportion to revenue developments;
- Return of goods to suppliers at closure of units;
- general spending and administration restrictions;
- tracking treasury flows very closely by correlating earnings with payments, reducing the balance of the loan account and the related interest;
- strictly tracking maturities in state and local budgets, partners, to avoid delays that may lead to the payment of possible penalties and / or fines;
- the collection of receivables, compliance with the recovery procedure.

Concluding, at the end of 2018, T.H.R. Marea Neagră S.A. registered a gross profit of 11.303.056 lei, and a net profit, determined after the deduction of the current, deferred tax, and of the specific tax calculated, according to the legal regulations, in the amount of 9.823.215 lei.



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3. Ensuring financial resources, honoring payment obligations

During the year, the company financed its activity by using its own sources and by employing a credit line with BCR in the amount of 7.500.000 lei, a line that on 31.12.2018 is not used.

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

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

4. Assets of the commercial company

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

Accommodation units:

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

Units of public food service:

- 2 restaurants of 4*, with a total capacity of 992 places
- 6 restaurants of 3*, with a total capacity of 2.482 places
- 5 restaurants of 2*, with a total capacity of 1.418 places
- 2 day bars of 4* with a total capacity of 120 places
- 9 day bars of 3* with a total capacity of 424 places
- 1 day bar of 2* with a total capacity of 60 places
- 2 bufete de 1 * with a total capacity of 120 places

Recreation unities:

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

Spa treatment units:

- 4 treatment bases: Bran-Brad-Bega Hotel, Hora, Balada and Sirena with a total capacity of 5.350 procedures per day.



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Overall, the company had 6.580 accommodation places and 4.892 public catering establishments in the tourist circuit in 2018. The distribution on the resorts is presented below:

Classif. Categ.	Eforie Nord		Eforie Sud		Venus		Saturn		Grand total	
Hotels	unities	cap	unities	cap	unities	cap	UnitiesG range total	cap	unities	places
****	1	438	0	0	0	0	1	554	2	992
***	0	0	0	0	2	504	6	2.942	8	3446
**	3	502	2	434	0	0	4	1.206	9	2142
Total accommodation	4	940	2	434	2	504	11	4.702	19	6.580
Restaurants										
****	1	438	0	0	0	0	1	554	2	992
***	0	0	0	0	1	182	5	2.300	6	2.482
**	1	226	1	218	1	220	2	754	5	1.418
Total restaurants	2	664	1	218	2	402	8	3.608	13	4.892
Bars										
****	1	80	0	0	0	0	1	40	2	120
***	0	0	0	0	2	94	7	330	9	424
**	1	60	0	0	0	0	0	0	1	60
Total day bars	2	140	0	0	2	94	8	370	12	604
Buffets										
*	0	0	1	30	0	0	1	90	2	120
Total buffets	0	0	1	30	0	0	1	90	2	120

4.2 Description and analysis of the wear properties of THR Marea Neagra SA

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

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



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

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

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

5. Assement of investment and development activity

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

In 2018, the company made significant investments amounting to **8.626.767 lei** (including VAT), presented in the following table:

Crt. No.	Unit	Investment objective	Total value whereby:	Works	Facilities
1	Diana Hotel	Interior work, Furniture and carpets, Wood carpentry of wood	1.045.976	662.933	383.043
2	Cerna Restaurant	Kitchen extension, kitchen equipments, construction works, plumbing, painting, electrical equipments	929.446	720.776	208.670
3	Venus Hotel + CT	Carpet rooms and halls, furniture, mounted tiles 1880 sqm, painting, wood carpentry 450 sqm, modernization of electrical panels CT	902.878	600.148	302.730
4	Sirena Hotel	Underfloor heating systems, Chiller, Design, installation of boiler, electrification and automation	621.288	621.288	0
5	Balada Hotel	Door rooms 1,2,8-13, carpets 1,2,8-13, Rehabilitation of electrical panels	618.077	618.077	0
6	Venus Restaurant	Hygiene kitchen space, lounge and terrace modernization, carpentry replaced, self-service line fitting, partial kitchen area rehabilitation, sanitary rehabilitation small parter salon, self-service line	586.215	507.929	78.286
7	Raluca Hotel	Rehabilitation of facades	294.996	294.996	0



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8	Sediu administrativ	Air conditioning equipment, Intangible assets (licenses, works projects), electronically archived houses	288.839	14.278	274.560
9	BBB Swimming pool, Raluca, Balada, Cleopatra	Interior, exterior rehabilitation	191.257	191.257	0
10	Headquarters Administration.	Clarvision's economic management system	170.925	170.925	0
11	Bega Hotel	Plumbing, painting, electrical installations	156.700	156.700	0
12	Cleopatra Hotel, Cleopatra Restaurant, Sirena H. + R., Lidia H + R., Narcis Hotel + Restaurant, BBB Complex	ISU Documentation drawing up	125.690	125.690	0
13	Cleopatra Hotel	Door halls access, fire doors	118.829	118.829	0
14	Capitol Hotel	Modernization of electric panels, rearrangement of 12 bathrooms	100.051	100.051	0
15	Aida Hotel	Fire escape handrail	95.248	95.248	0
16	District I Beach	Furniture facilities, beach establishment projection	92.839	0	92.839
17	Capitol Restaurant	Waterproofing kitchen area, changing rooms, modernization of electrical panels	85.275	85.275	0
18	Gloria Hotel	Modernization of electrical panels	82.195	82.195	0
19	Cerna Hotel	Rehabilitation of sanitary groups and basement installations	75.626	75.626	0
20	Vraja Mării Hotel	Modernization of electrical panels, rehabilitation of balconies, exterior painting	67.887	67.887	0
21	Administrative office	BITSOFT - intangible assets (OPERA Clarvision and MC Clarvision interfaces)	57.259	57.259	0
22	Bega + Brad Restaurants	Kitchen equipments, fans	53.304	46.494	6.810
23	Balada Restaurant	Exterior aesthetics, kitchen equipments	52.568	41.557	11.011
24	Narcis Restaurant	Rehabilitation (finishing work commenced in 2016)	23.614	23.614	0
25	Aida Restaurant	Fitting locker rooms	20.003	20.003	0
26	Prahova Hotel	East façade exterior esthetics	33.095	33.095	0
27	THR Marea Neagra Unities	Construction work, plumbing, painting, electrical installation	359.306	359.306	0
		TOTAL INVESTMENTS (lei without VAT)	7.249.384	5.891.436	1.357.948
		VAT	1.377.383		
		TOTAL INVESTMENTS (lei including VAT)	8.626.767		



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

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

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

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

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

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

7. Market of securities issued by THR Marea Neagra SA

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

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

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

On the last trading day of 2018 and 31.12.2018 respectively, at the closing of the Stock Exchange, the shares of THR Marea Neagră SA were quoted at a maximum of 0.0924 lei / share, compared to 0.098 lei / share on 30.12.2017.



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

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

For the year 2016, the General Meeting of Shareholders decided to distribute the profit for the constitution of legal reserves, own sources of financing and dividends amounting to **3.936.860 lei**.

For the year 2017, the General Meeting of the Shareholders decided the distribution of the profit for the constitution of legal reserves, own sources of financing and dividends amounting to **839.477 lei**.

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

The company did not acquire its own shares in 2018.

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

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

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

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

The company did not issue bonds in 2018.

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

8.1. The Board of Supervisors

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

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



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

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

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

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

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

It's not necessary.

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

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

c) list of affiliated commercial companies:

The affiliated persons of THR Marea Neagră SA are:

- a) S.I.F. Transilvania S.A., a company holding 77.71% of the shares issued by T.H.R. Marea Neagră S.A.;
- b) Balneoterapia Saturn S..R.L., Company to which T.H.R. Marea Neagră S.A. holds 100% of the issued shares;



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- c) Transilvania Hotels & Travel S.A., Company to which T.H.R. Marea Neagră S.A. holds 32,059% of its share capital.

8.2. Executive management of the commercial company

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

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

- (c) Mosoiu Georgiana Narcisa – General Manager / Executive President and Chairman of the Board
- (d) Cazacu Dorinel – Member of the Directorate / Managing Director
- (e) Parcalabu Doina Domnica – Member of the Directorate / Commercial Director – Financial

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

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

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

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

It's not necessary.

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

Madam Narcisa Georgiana Moșoiu owns a number of 1.500 shares issued by the company.



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-559 Registration Number in the Trade Register of Constanța: J13/696/1991, CIF: RO2980547,
IBAN Account: RO71 RNCB 0117 0151 6314 0001, Banca Comercială Română – Mangalia Agency
Subscribed and paid capital: 57.894.993,9 lei
Two tier model

Website: www.thrmareaneagra.ro

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

It's not necessary.

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

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

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

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

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

The main risks to which the company is exposed are:

➤ Interest rate risk

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



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➤ Credit risk

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

➤ Liquidity risk

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

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

➤ Operational risk

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

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

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

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



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

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

10. CORPORATE GOVERNANCE

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

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

One of the constant concerns of the members of the Supervisory Board was the increase in sales through the development of the sales department, the identification of new customers and the loyalty of traditional customers. It also aimed to improve the policy of promoting tourism products by launching special offers and customized offers for specific tourist categories.

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

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

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



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

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

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

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

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

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

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

The Company records on 31.12.2018 a share capital of 57.894.993,90 lei, subscribed and paid-up share capital, representing 578.949.939 nominative, ordinary, dematerialized and indivisible shares with a nominal value of 0.1 lei / share. The company thus complies with the provisions of Article 10 of Law 31/1990 on commercial companies regarding the minimum level of share capital for joint stock companies.

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



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

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

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

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

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

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

The meetings of general shareholders' assembly are as follows:

- the shareholders' share list, the share capital represented by each of them and the observance of the legal requirements and the provisions of the Articles of Incorporation for the holding of the general meeting;

- the items on the agenda of the convocation are presented and submitted to the vote;
- AGA decisions are made by open vote, except for the appointment of the members of the Board of Supervisors and the financial auditor for whom the secret vote is mandatory;
- the result of votes is verified and recorded in the minutes of the meeting.

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



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11. Conclusions and proposal for profit sharing of the company

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

At the end of 2018 the Company records a net profit of 9.823.215 lei, which the Directorate proposes to be distributed as follows:

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

Narcisa MOȘOIU
GENERAL MANAGER/CHAIRMAN OF THE BOARD

Constantin STĂNESCU
TECHNICAL MANAGER/ VICE-CHAIRMAN OF THE BOARD

Mircea CRISTIAN
ECONOMIC MANAGER/MEMBER OF THE BOARD

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

Authorized interpreter - translator,
VIG CORINA-LUIZA



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ANNUAL REPORT On the consolidated financial situations of THR MAREA NEAGRĂ SA

Made according to the Law of Accountancy no. 82/1991, OMFP 2844/2016 for the approval of the accounting Regulations according the International Standards of financial reporting, Law 24/2017 concerning the capital market and the ASF Regulation no. 5/2018 concerning the issuing persons and the operations with exchange securities,

for the consolidated financial year terminated at the date of 31 December 2018

**Denomination of the trade company: [Turism, Hoteluri, Restaurante Marea Neagră S.A.](#),
[Two tier corporate model](#)
[-Mother-company](#)**

Head office: 29 Lavrion Street, Mangalia, Constanța County

Telephone number/facsimile: 0241-75.24.52 / 0241-75.55.59

Sole registration code at the Trade Register Office: 2980547

Trade Register registration number: J13/696/1991

Regulated market on which are trade the issued property values: Bucharest Stock Market

Social subscribed and paid capital: 57.894.993,9 lei

Main characteristics of the property values issued by the trade company: nominal shares, ordinary, dematerialized and undividable with a nominal value of 0,1 lei/share.

Denomination of the trade company: [Balneoterapia Saturn SRL - subsidiary](#)

Head office: 29 Lavrion Street, Mangalia, Constanța County

Telephone number/facsimile: 0241-75.24.52

Sole registration code at the Trade Register Office: 14271182

Trade Register registration number: J13/1910/2001

Social subscribed and paid capital: 2000 lei

Main characteristics of the property values issued by the trade company: the shares of the company are not traded on a regulated market, the shareholders' registration being kept by the administrators with the help of the shareholders' Register

Starting with the date of 8.11.2017, the mother-company THR Marea Neagră S.A. is administered by a Board of Supervisors formed by 3 members:

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



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Two tier model

Website: www.thrmareaneagra.ro

The Board of Supervisors established two commissions, with the following competence:

- The Audit Commission: Mielu Dobrin and Florin Dănuț Buzatu
- The designation and remuneration Commission: Dragoș Călin and Florin Dănuț Buzatu.

The company adhered to a Code of Corporatist Governance, annually elaborating the Conformity statement, regulated by CGC.

At the date of issuance of the present Report, THR Marea Neagră SA does not have any knowledge about the existence of agreements or family connections of the members of the Board of Supervisors and other persons thanks to which they were delegated as administrators.

At the date of elaborating the present Report, THR Marea Neagră SA does not have any knowledge about the existence of any litigations or administrative procedures against the Board of supervisors, about their activity within the issuer or which concern the capacity of the respective person to accomplish his attributions within the issuer.

The Board of Supervisors has at base the principles of corporatist governance, which rules a responsible, professional and ethic attitude of the Company reported to the main interested parties. Within the Council it is analyzed the strategy of the Company and the premises of the environment in which it functions to plan the evolution of THR Marea Neagra and its performances, ensuring a rigorous formulation of the objectives. Within the Board of Supervisors, the Directorate of the Company provided detailed information referring to the financial situations of the year 2008.

The Board of Supervisors was interested in the improvement of the Company profitability and also in maintaining its image of solid and reliable partner for all its collaborators.

The consolidated financial situations and the audit report were presented for examination to the Board of Supervisors.

The Annual report of the Directorate issued according to the requirements of the law of capital market, was approved by Board of Supervisors' members. The report of the Directorate offers an accurate and correct image of the results of the Company for the financial year 2018.

President of the Board of Supervisors,

Eng. Mielu Dobrin



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The Report of the Directorare THR Marea Neagră SA afferring to the *consolidated financial situations* for the year 2018

The annual report according to: the Law of accountancy no. 82/1991, OMFP 2844/2016 for the approval of the accountancy Regulations complying with the International Standards of financial reporting, Law 24/2017 concerning the capital market and the ASF Rules no. 5/2019 referring to the issuants and the operations with exchange securities.

The group for which they were made the present financial situations is formed by the company Turism, Hoteluri, Restaurante Marea Neagră SA, two-tier company and its subsidiary Balneoterapia Saturn SRL („The Group”).

**Denomination of the trade company: *Turism, Hoteluri, Restaurante Marea Neagră S.A.,
Two tier corporate model
-Mother-company***

Head office: 29 Lavrion Street, Mangalia, Constanța County

Telephone number/facsimile: 0241-75.24.52 / 0241-75.55.59

Sole registration code at the Trade Register Office: 2980547

Trade Register registration number: J13/696/1991

Regulated market on which are trade the issued property values: Bucharest Stock Market

Main characteristics of the property values issued by the trade company: nominal shares, ordinary, dematerialized and undividable with a nominal value of 0,1 lei/share.

Denomination of the trade company: *Balneoterapia Saturn SRL - subsidiary*

Head office: 29 Lavrion Street, Mangalia, Constanța County

Telephone number/facsimile: 0241-75.24.52

Sole registration code at the Trade Register Office: 14271182

Trade Register registration number: J13/1910/2001

Social subscribed and paid capital: 2000 lei

Main characteristics of the property values issued by the trade company: the shares of the company are not traded on a regulated market, the shareholders' registration being kept by the administrators with the help of the shareholders' Register



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Two tier model

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1. THE ANALYSIS OF THE GROUP ACTIVITY

1.1.a) Description of the main activity of the companies who are not part of the Group

The main activity of the company THR Marea Neagra SA, according to the classification is CAEN code 5510 “Hotels and other similar facilities of accommodation”, respectively the providing of services of: accommodation, public food service, balnear treatment and tourism amusement.

The activity is developed through the internal working points, registered and classified according to the valid normative documents, disposing of all the functioning permits provided by the valid law.

The main activity of the company **Balneoterapia Saturn S.R.L.**, according to the classification is CAEN code 8622 “Activities of medical specialized assistance”.

b) The date of establishment of the companies who are part of the Group

The trade company **THR Marea Neagră SA** was established at the date of 05.03.1991, having the name of S.C. Eforie S.A. The company changed its denomination from Eforie S.A. in THR Marea Neagră SA in the year 2005, according to the Decision of the judge designated at the Trade Register Constanta no. 10.687/24.01.2005, and in the year 2000, the company moved its head office in Mangalia, 29 Lavrion street, Constanta county. In the Shareholder's Meeting at 8 November 2017 it is modified the system of administration of the company in Two Tier Corporate Model, the administration of the company being therefore made by the Board of Supervisors and Directorate.

The company **Balneoterapia Saturn SRL** is a legal person registered at the Trade Register Office with no. J13/1910/2001, sole registration code 14271182.

c) Description of providers and significant reorganizations

In the year 2018, did not take place any mergers in any of the companies pertaining to the group.

Within Balneoterapia company, significant changes took place in the structure of the administrative and executive management, in the sense of dissolution of the Board of Administration and the function of general manager starting with 19.12.2018, and naming a new sole administrator starting with the same date.

Also at Balneoterapia SRL, through the decision of the General Shareholders' Meeting no. 3 at 28.09.2018 it was decided the dissolution of the company and subsequently through the decision GSM no.1 at 15.01.2019 it was revoked the decision GSM no.3 at 28.09.2018, consequence of its suspension by the Court of Constanța in the file promoted by Mr. Stan Virigil- the former General Manager of the company Balneoterapia SRL.



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d) The description of acquisitions and/or assets sale

In the year 2018, the company THR Marea Neagra SA continued the strategy of development/restructuration of the company, by selling assets in the company patrimony, such as:

- Lidia Complex (building and land) in Venus;
- Riviera Hotel (building) in Eforie Sud;
- Flora Villa (building and land) in Eforie Nord;
- Land in an area of 383 sm in Holiday Village Dunarea in Saturn;
- Land Snack Bar Carmen in Eforie Nord,

1.1.1. Elements of general assessment of the **Group**

- a) Gross profit: **10.908.772 lei**
- b) Total incomes: **64.213.156 lei** (of which operations of cancellation of provisions 386.715 lei);
- c) Turnover: **46.949.351 lei**
- d) Export: **it is not the case**
- e) Total costs: **53.304.384 lei** (minus tax on the current profit, postponed and the specific tax of **1.507.821 lei**);
- f) % of the owned market: **12,80%** of the local tourism market;
- g) available in the account: **27.985.903 lei.**

The Group develops its activity through its working points situated in the tourism localities of national interest Eforie Nord, Eforie Sud, Neptun, Venus and Saturn, being between the main companies of profile in the country.

The company THR Marea Neagra SA comprises hotel units on well consolidated positions on the national market, some of them having also European market.

The activity has a pronounced summer seasonal character, determined by the period of holidays on the Romanian Black Sea seaside.

For attenuating the seasonal character, the company oriented its investments program towards the development of internal capacities of providing medical services of balnear treatment, by using the specific nature factors of treatment, having presently 4 internal treatment units in the hotel complexes “Hora”, “Balada”, “Sirena” - Saturn and the Hotel Complex “Bran-Brad-Bega” in Eforie Nord, the last one being opened in the year 2012.

The operation activity produces incomes leading to a positive economic-financial result, capable of ensuring the coverage of all exploitation costs, but also the realization of profit partially used for the financing of investment programs.



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The concentration of the incomes realized in a limited period of the year (June-August) implies the temporary financing of the activities from attracted sources, respectively bank loans, which are reimbursed depending on the realization of cashing the incomes afferent to the financial year in course.

1.1.2. The evaluation of the technical level of the trade enterprise

Description of the main realized products and/or provided services with the mention:

a) the main retail markets for every service and distribution methods

In the year 2018, THR Marea Neagra SA exploited in direct administration a number of 6.580 accommodation vacancies and 4.892 public food service vacancies, localized in the holiday resorts on the Black Sea Romanian seaside in the units classified at the categories 4*, 3* and 2*.

The main internal products are the service packages of accommodation, public food service, balnear treatment, amusement (spa, pools, cold baths with mud).

An important distribution path is represented by the on-line sale through the specialized websites, and also through the internal sales website, the channels with the highest ascension in the last years and with a high increase of potential on the markets.

The direct sales at the hotels receptions, especially in weekends, have a significant weight in the sales, the company being organized to receive and solve the requests in the purpose of optimum coverage of the internal capacities of service provision.

The tourism product of the main accommodation capacities is also distributed on the external market based on the contracts concluded with the partners.

b) the percentage of the main categories of services, total incomes:

Indicators	Realized (lei)			Percentages in total incomes (%)			Percentages in total turnover (%)		
	2018	2017	2016	2018	2017	2016	2018	2017	2016
Total incomes	64.213.156	39.215.925	48.371.806	100,00	100,00	100,00			
Turnover, of which	46.949.351	34.854.421	35.386.102	73,11	88,88	73,15	100,00	100,00	100,00
Accommodation	29.528.562	21.016.132	20.160.054	45,99	53,59	41,68	62,89	60,30	56,97
- Food	13.932.309	10.128.015	10.617.463	21,7	25,83	21,95	29,68	29,06	30,00
- Rentals	1.139.225	606.151	1.169.102	1,77	1,55	2,42	2,43	1,74	3,3
Other incomes comprised in the turnover	2.349.255	3.104.123	3.439.483	3,66	7,92	7,11	5,00	8,91	9,72



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The total incomes (of which operations of provisions annulment 386.715 lei) registered by the Group in the financial year 2018 are in value of 64.213.156 lei, knowing an increase compared to the total incomes of the year 2017 (39.215.925 lei) with 63,4%.

Within the total incomes of the year 2018, the turnover sums 46.949.351 lei, representing an increase compared to the last year turnover (34.854.421 lei) with 34,70%.

The incomes composing the turnover in the year 2018 have been realized from the development of the following activities:

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

The weight in the turnover structure is represented by the activity of accommodation – 62,89%.

The incomes from the public food service represented 29,68% of the turnover, and the incomes from the rental activity registered a reduces percentage in the turnover, which is 2,43%.

The group “Other incomes” reflected in the turnover, realized through the development of secondary activities (medical services, parking lots, pools) summed 2.349.255 lei and represent, compared to year 2017, a decrease with 24,32% because of the decrease of the vacancies auctioned by the National House of Public Pensions for the packages of services with treatment.

c) New products taken in view and their stage of development

The Group has as priority to maintain, develop and create new tourism products, taking in view the exigencies of the present market for such services.

Along with the internal products concretized in: packages of accommodation services, public food service, balnear treatment, amusement, the Group will take care of the development of the existent capacities and the development and modernization of the informatics system to allow the online reservation and other services required by tourists.

Through the tariff and contracting policy were created stimulating conditions for the tour-operator agencies, consisting in:

- facilities for families with children;
- the program “Early booking”
- the limitation at maximum 18% of the sale commissions at agencies compared to the tariffs in the contract;



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-the non-commissioning of the public food services by the beneficiary, for these the provider giving a 13% commission;

-giving additional discounts (of volume) at the end of the season.

Special offers have been launched in the purpose of stimulating the sale of service packages: offers of packages all-inclusive accommodation and treatment, offers for stimulating online sales (discounts for expendable cashing, “Best deal” offers, “Last minute” offers, discounts for reservations in certain periods, packages accommodation and treatment), offers for the conference chambers, participation at the programs promoted by the employers’ organizations in tourism (“Seaside for everybody”, “Balnear ten-day period”, “Come to bathing”, “A week of recovery”).

Starting with the year 2018, we also offer to the tourists specific services on the area of beach rented from CN Romanian Waters on a 10 year period, in Saturn resort.

1.1.3.Evaluation of the activity of technical-material supply

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

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

The acquisitions were made from traditional suppliers, producers or direct importers, great companies, with accreditation on the respective materials, certified ISO, according to the European standards and normative.

The providers are selected by a selection commission, based on some established criteria and a score, which reflects mainly the price/quality report.

The dependence of main providers is small, taking into account the high number of possible providers on the market, with similar offers.

Referring to the safety of supply sources, we mention that all the acquired raw materials are accompanied by certificates of compliance, guarantee certificates and specification sheets.

The stocks of raw materials and materials are minimum, taking into account that the main activity of the company, the activity of providing tourism services is developed in the summer season.



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1.1.4.Evaluation of the sale activity

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

The mother-company has developed its activity mainly based on the contracts of service provision, concluded with the tourism agencies, National House of Public Pensions (treatment contract), other beneficiaries (unions, organized groups etc.), online sales and for individual tourists who came on their own.

In the year 2018, compared to the BVC and the last year's realizations, the tourism circulation is presented in this way:

Explanation	Treatment	Agencies	On his own+ Online	days tourist	
				Other beneficiaries	TOTAL
<i>Realized at 31 Dec 2018</i>	<i>109.664</i>	<i>261.094</i>	<i>29.297</i>	<i>35.284</i>	<i>435.339</i>
<i>BVC 2018</i>	<i>128.563</i>	<i>185.247</i>	<i>33.311</i>	<i>33.894</i>	<i>381.015</i>
Differences realized 2018 compared to BVC 2018	(18.899)	75.847	(4.014)	1.390	54.324
Percentage realization 2018/BVC 2018	85,30%	140,94%	87,95%	104,10%	114,26%
<i>Realized at 31 Dec 2017</i>	<i>128.563</i>	<i>189.201</i>	<i>32.152</i>	<i>32.619</i>	<i>382.535</i>
Differences realized 2018 compared to realized 2017	(18.899)	71.893	(2.855)	2.665	52.804
Percentage 2018/ realized 2017	85,30%	138,00%	91,12%	108,17%	113,80%
Weights in structure 2018	25,19%	59,97%	6,73%	8,10%	100,00%
Weights in structure 2017	33,61%	49,46%	8,40%	8,53%	100,00%

As you can observe, in the year 2018 it was realized a tourism circulation of 435.339 days-tourist, representing an increase compared to the budgeted indicator (381.015 *days-tourist*) with 14,26% and an increase compared to year 2017 (382.535 *days-tourist*) with 13,80%.

In the year 2018, it was registered an occupation degree of the accommodation units higher than in 2017. Therefore, in 2018 season the units were opened in the period 23.05-30.09.2018, being registered a medium degree of occupation of 73,12% and in the 2017 season the units were opened in the same period of the year, being registered a medium degree of occupation, of 67,18%.



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From the analysis of the tourist circulation, we remark:

- The treatment contract concluded with the National House of Public Pensions (NHPP) ensured a tourist circulation of 109.664 days tourist, in 2018, with 18.889 days tourist less than in the budget forecast.
- The tourist circulation through the tourism agencies increased compared to the year 2017, with 71.893 days tourist, and compared to the budget forecast, it registered an increase with 75.847 days tourist. This increase is owed mainly to vacation vouchers.
- The sales segment on their own and online registers a slight increase, increase influenced by the exploitation over the contractual vacancies of tour operators, which determined an increase of responsibilities on other channels.
- The company also concluded contracts with other beneficiaries (unions, associations, sports federations etc.) based on which it was realized a tourist circulation of 35.284 days-tourist, reported to 33.894 days tourist budgeted, which represents an increase with 4,10% compared to the budget forecast.

Another indicator of the tourist circulation, the number of tourists registered an evolution similar to the one expressed in days tourist, and the medium holiday registered similar values to the ones of last year.

Explanations	Treatment	Agencies	On their own	Other beneficiaries	Online	TOTAL
Number tourists 2018	6.911	43.561	2.888	6.166	4.517	64.043
Number tourists 2017	8.260	29.182	3.908	4.928	5.325	51.603
Differences 2018/2017	(1.349)	14.379	(1.020)	1.238	(808)	12.440
% 2018/2017	83,67%	149,27%	73,90%	125,12%	84,83%	124,11%
% 2018/ Partners	10,79%	68,02%	4,51%	9,63%	7,05%	100,00%
% 2017/ Partners	16,01%	56,55%	7,57%	9,55%	10,32%	100,00%

Average holiday

Explanations	Treatment	Agencies	On their own	Other beneficiaries	Online	TOTAL
Average holiday 2018	15,87	6,00	3,75	5,72	4,09	6,8
Average holiday 2017	15,56	6,48	3,04	6,62	3,80	7,41
Differences 2018/2017	0,31	(0,48)	0,71	(0,90)	0,29	(0,61)



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From the analysis of the situation presented above, resulted that the average holiday tourism indicator registered a slight decrease in 2018, representing 6,8 days of average holiday compared to 7,41 days of average holiday in 2017 (reduction owed to the decrease on the percentage of tourists who came through NHPP, respectively the increase of the percentage of the ones who came through agencies, who have shorter holidays).

The occupation degree registered on the enterprise THR Marea Neagra SA in the year 2018 was of 73,12% compared to 67,18% realized in the year 2017.

In the following years we will take into account in continuation the adaptation of the tariff policy and of contracting with the market requirements, the creation of stimulating conditions for the tour-operator agencies, with the granting of volume discounts, facilities for families with children, policy for Early Bookings, demising commissions for sales stimulation and the creation of advantages at the sale of public food services. We will give an increased attention to the online sales segment. We have in view the unfolding of special offers especially designed to ensure a growth of the tourism circulation, and also a permanent adaptation of the tourism product to the evolution of the market.

b)The description of the competitive situation, of the weight on the market of services and the main competitors

The Group unfolds the activity in an area where the main activity is represented by our object of activity, respectively the supply of services of: accommodation, public food service, amusement, the main attraction being the beach and the quality of bathing water of the Black Sea, and also the curative properties of the main natural resources of balnear treatment, the sapropelic mud of Techirghiol, the water of Terchirghiol Lake, mesothermal sulfur water, sea water and marine aerosols.

The area has the highest concentration of tourism units, which creates a strong competitive climate.

The external market represents a special competition with similar products, the tariff policy making the difference, identifying in this sense the market of Bulgarian seaside as concurrent.

c)The description of any significant dependence of the Group towards a single client or a group of clients whose loss would have a negative impact on the incomes

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



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The weight of every distribution channel in totally on year 2018:

Explanations	NHPP	Tourism agencies	On their own	Other beneficiaries	Online	TOTAL
<i>Days tourist 2018</i>	<i>109,664</i>	<i>261,094</i>	<i>10,826</i>	<i>35,284</i>	<i>18,471</i>	<i>435,339</i>
Total weight 2018 (%)	25.19%	59.97%	2.49%	8.10%	4.24%	100.00%

An important weight is represented by the client the National House of Public Pensions. Taking into account that the public acquisitions of this partner are made for the retired persons in the public sector, the non-acquisition of NHPP of these services does not annul the consume request. The health treatment being a necessary and continuous process, the product will be put on other distribution channels, so the consumer can buy the necessary product.

Correlated to the fact that our product of balnear treatment is personalized, known and approved on the market, we will not come across major difficulties, with a negative impact on incomes in the case in which one of our main partners would retire from the market.

1.1.5.Evaluation of aspects concerning the employees/staff of the Group

a)Referring to the human resources in the year 2018, compared to 2017, the staff's evolution was the following:

No crt.	Indicator	No. at 31.12.2018	Average no. in 2018	Average no. in 2017
A	No of permanent staff, of which:	111	146	149
	<i>a)Tesa staff</i>	<i>40</i>	<i>42</i>	<i>44</i>
	<i>b)Operative staff</i>	<i>71</i>	<i>104</i>	<i>105</i>
B	No seasonal staff (exclusively day laborers)	30	242	243
	Total staff	141	388	392

Compared to the year 2017, in the year 2018 it is remarked a decrease of the average number of personnel, overall and in structure, seasonal and permanents.

b)The reports between the managers and the employees, regulated by the Collective Labour Contract, are based on communication, implication and team spirit, being respected the rules and procedures established through the Internal Regulation, job description, without existing conflict elements.



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1.1.6.Evaluation of aspects regarding the impact of the basis activity of the Group on the environment

The basis activity of the Group is unfolded complying with the valid laws regarding the exigencies of environment protection, being obtained the environment authorizations necessary for each type of activity and on each working point.

The Group identified all its activities which might have a possible impact on the environment and regulated them according to the environment standards SR EN ISO 14001:2005 through internal procedures.

In the year 2018, the Group did not have any litigation generated by the non-complying with the legal environment regulations.

2.THE FINANCIAL-ACCOUNTING SITUATION

In the year 2018, the Group has organized its accountancy according OMF 881/2012 and OMF 2844/2016 for the approval of the accounting regulations according to the international Standards of financial report. Through these orders, it was statute that the companies whose securities are rated on the regulated market, through which is THR Marea Neagra SA, have the obligation to issue the financial situation according to the normative documents mentioned above.

According to the mentioned regulations, the financial situations of the mother-Company are annually audited by the audit company ABA Audit S.R.L. in Timișoara, based on the service supply contract no. 918/21.04.2015

The dynamic situation of the main asset posts at 31.12.2018, by comparison to the similar elements in the years 2017 and 2016, it is presented in this way:

ASSET	lei				
	Value at 31.12.2018 (lei)	Value at 31.12.2017 (lei)	Value at 31.12.2016 (lei)	Value at 2018/2017 (%)	Weight 2018 in total assets (%)
Intangible assets	362.713	414.986	510.805	87,40%	0,14%
Tangible assets	179.585.902	186.590.382	216.221.771	96,25%	67,29%
Real estate investments	16.065.300	17.191.112	16.350.751	93,45%	6,02%
Financial assets	0	2.432.010	2.432.010		0,00%
Long-term receivables (including receivables regarding the postponed tax on profit)	1.416.286	1.404.650	1.394.641	100,83%	0,53%
TOTALFIXED ASSETS	197.430.201	208.033.140	236.909.977	94,90%	73,98%
Stocks	294.218	442.154	617.359	66,54%	0,11%



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Receivables	2.604.511	4.971.387	6.121.275	52,39%	0,98%
Financial assets	0	0	0		0,00%
Liquid assets	27.985.903	5.635.805	7.777.716	496,57%	10,49%
Assets classified held as for sale	37.666.185	36.516.013	11.007.555	103,15%	14,11%
Prepaid expenses and other current assets	895.292	782.016	923.873	114,49%	0,34%
TOTAL FLOATING ASSETS	69.446.109	48.347.375	26.447.777	143,64%	26,02%
TOTAL ASSETS	266.876.310	256.380.515	263.357.754	104,09%	100,00%

Within the assets of the Group the highest weight have the **intangible assets (73,98%)** and within these, the tangible assets which represent 67,29% from the total assets.

At the date of 31.12.2018, at the **intangible assets** we observe a decrease with **5,10%** compared to year 2017, increase caused by:

- The decrease registered by the indicator **Fixed assets**, consequence of getting out of the company patrimony through the sale of assets (Flora Villa in Eforie Nord-building and land; area of 383 sm in Dunarea Resort Village, Lidia Hotel and Restaurant in Venus- building and land, Snack Bar Carmen land in Eforia Nord, Saturn Confectionery- land and building), discarding fixed assets and depreciation;
- The decrease registered by the indicator **Financial fixed assets**, consequence of impairment of financial fixed assets represented by equity investments owned at the company Transilvania Hotels & Travel SA Bucharest (in insolvency) as IFRS requires that an asset not to be impaired when they observe impairment indexes, the impairment being in sum of **2.432.010 lei**
- The decrease registered by the indicator **Real Estate Investments** (rented/for rental assets) consequence of the reclassification of the asset Claudia Complex (hotel and restaurant- building and land) from assets/rented in assets held for sale, taking into account its tender for sale in December 2018.

At the **floating assets**, representing 26,02% of the total assets of the Group, it is observed a significant increase, with 43,64% compared to the level realized in the previous year, increase owed to:

- the increase of **Liquid assets** from 5.635.805 lei at 31.12.2017 to 27.985.903 lei at 31.12.2018, procentual meaning an increase with 396,57 %;
- the increase of the indicator **Assets clasified as held for sale** with the countervalue of Claudia complex reclassified from Real Estate investments.

The **Receivables of the Group**, indicator part of the floating assets, registeres at 31.12.2018 a **reduction with 47,61%** compared to the receivable registered at 31.12.2017 and at the date of elaborating the present report the receivables of the company register a **reduction with 57,34%** compared to the ones registered at 31.12.2017



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In the table below are presented the receivables at the date of 31.12.2018 compared to 31.12.2017:

No. Crt.	Denomination	Net receivables at 31.12.2018 (lei)	Adjustment of impairment at 31.12.2018 (lei)	Receivables at 31.12.2018 (lei)	Net receivables 31.12.2017 (lei)	Variation of net receivables at 2018/2017 (%)
1	Trade receivables and other receivables total, of which:	2.566.175	1.727.934	4.294.109	4.933.051	52,02%
1.2	Trade receivables total of which:	794.963	1.727.934	2.522.897	1.566.343	50,75%
	<i>Transilvania Travel&Hotels</i>	3.664	443.593	447.257	670.329	0,55%
1.2	Receivables to the state budget	1.593.574		1.593.574	3.227.959	49,37%
1.3	Accounts payable assets sale	0		0	0	
1.4	Diverse accounts payable	27.113		27.113	216	12552,12%
1.5	Other receivables	150.526		150.526	138.533	108,66%
2	Receivables regarding tax on current profit	38.336		38.336	38.336	100,00%
	Total receivables	2.604.511	1.727.934	4.332.445	4.971.387	52,39%

The Group Receivables are composed by:

-trade receivables represented by tourism services and other services provided by the Group to the third parties, in amount of **2.522.897 lei** which were adjusted with the sum of 1.727.934 lei representing debits older than 1 year afferent to the services provided by Rugby Club Constanța, Marea Comtur SRL, Transilvania Hotels & Travel S.A., Federația Română de Box, Sind Tour Operator, ACS Cuza Sport, Ager Construct and Remat Sud Mangalia;

-receivables at the state budget mainly represented by VAT to recover in the sum of 1.547.848,22 lei and tax on current profit of 38.335,61 lei

-other receivables mainly represented by receivable interest at the deposits opened at BCR in amount of 46.049 lei afferent to month December 2018 and which will be cashed in January 2019, various garnishment ANAF which in January 2019 will cancel from the debts of the company to the State Budget, garnishments Office Judicial Executor representing sums owed to Mateevici and partners, retained by the bank and also paid by the company, the sums paid in addition being recovered by OFJ in January 2019.



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In the year 2018, the liabilities had the following evolution:

LIABILITY	Value at 31.12.2018 (lei)	Value at 31.12.2017 (lei)	Value at 31.12.2016 (lei)	Variation 2018/2017 (%)	Weight 2018 in total Liabilities (%)
<i>Subscribed and paid capital</i>	57.894.994	57.894.993	57.894.994	100,00%	21,69%
<i>Adjustment of capital consequence application of IAS 29</i>	85.945.333	85.945.333	85.945.333	100,00%	32,20%
Capital premium total of which:	1.895.855	1.895.855	1.895.855	100,00%	0,71%
<i>Merger and division premiums</i>	1.894.814	1.894.814	1.894.814	100,00%	0,71%
<i>Share premiums inflated consequence of application IAS 29</i>	41	41	41	100,00%	0,00%
Reserves total of which:	28.188.838	26.881.973	26.451.693	104,86%	10,56%
<i>Legal reserves</i>	5.476.232	4.911.079	4.800.831	111,51%	2,05%
<i>Other reserves</i>	22.712.606	21.970.894	21.650.862	103,38%	8,51%
Reserves inflated consequence of application for the first time of IAS 29	16.745.901	16.745.901	16.745.901	100,00%	6,27%
<i>Legal inflated reserves consequence of application of IAS 29</i>	1.280.018	1.280.018	1.280.018	100,00%	0,48%
<i>Other inflated reserves consequence application of IAS 29</i>	15.465.883	15.465.883	15.465.883	100,00%	5,80%
Differences in reevaluation	105.238.279	107.559.706	108.045.261	97,84%	39,43%
The result reported excepting the result reported resulted from adopting for the first time IAS 29	55.169.050	52.923.423	53.330.461	104,24%	20,67%
The result reported resulted from adopting for the first time of IAS 29	(102.691.275)	(102.691.275)	(102.691.275)	100,00%	(38,48)%
Result of the fiscal year	9.400.951	1.616.036	4.399.514	581,73%	3,52%
Other elements of equity capitals	(13.056.602)	(12.690.908)	(12.895.836)	102,88%	(4,89)%
Total equity capitals	244.731.322	236.081.037	239.121.901	103,66%	91,70%
Long and medium term payables	13.990.404	15.209.427	16.047.792	91,99%	5,24%
Short term payables	8.154.584	5.090.051	8.188.063	160,21%	3,06%
TOTAL LIABILITIES	266.876.310	256.380.515	263.357.756	104,09%	100,00%

Within the liabilities elements, the highest weight have the equity capitals (91,70%), the subscribed and paid capital representing 21,69% of the total liabilities of the company.

The equity capitals at the date of 31.12.2018 know an increase with 3,66% compared to the equity capitals registered at 31.12.2017, being constituted of:

- subscribed and paid capital in amount of 57.894.994 lei, not modified in the last 3 years;
- merger and division premiums in amount of 1.895.855 lei, not modified in the last 3 years;



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- reserves composed by legal reserves and other reserves, in a total amount of **28.188.838 lei**, with an increase compared to the year 2017 (**26.881.973**) with 4,86% , increase owed to the repartition on other reserves of the amount of 741.712 lei of the net profit of THR Marea Neagra SA registered at 31.12.2017 and to the repartition of legal reserves of the amount of 565.153 lei of the net profit of the year 2018 of THR Marea Neagra SA;
- differences from the reevaluation of the company assets in amount of **105.238.279 lei**, which compared to the year 2017 decreased with 2,16% after some assets sale;
- the reported result which came from the surplus realized from reevaluation reserves in amount of **55.169.050 lei** increased with 4,24% compared to the year 2017;
- the net result of the fiscal year in sum of **9.400.951 lei** increased compared to the one of year 2017 with 481,73%, increase owed to the assets sale and to the main activities;

We mention that the reevaluations made after the date of 01.01.2004 are recognized from a taxable point of view as elements similar to incomes on the measure of depreciation of tangible assets and their getting out of the patrimony. For these temporary differences between the accountancy value and the fiscal one, IAS 12 orders the calculation of a tax on postponed profit, which decreased the value of equity capitals (comprised in the above table at the rubric “other elements of equity capitals”) and they are added to the liabilities.

Short term liabilities of the Group at 31.12.2018, including the provisions, structured on their nature and on their maturity date, are presented in the following table:

No.crt.	Denomination of account	Account	Liabilities at 31.12.2018	< 30 days	30-90 days	91-180 days	181-270 days	270-365 days
1	SUMS OWED TO CREDIT INSTITUTIONS		0	0	0	0	0	0
	Short term bank credits	162	0					
	Short term loans	519	0					

2	TRADE LIABILITIES AND OTHER LIABILITIES, INCLUDING FINANCIAL DERIVED INSTRUMENTS		7.907.551	4.085.871	1.880.357	54.241	8.324	1.878.758
2.1.	Advances collected in the orders account	419	2.317.080	71.533	372.833	0	0	1.872.714
	Advances collected for asset sale based on sale-purchase promises		2.245.547	0	372.833	0	0	1.872.714
	Atinimul - Hotel Meteor		466.680					466.680
	Media Class - Hotel Ancora		1.170.764					1.170.764
	Star 95 SRL - Garden/restaurant Rapsodia		608.103		372.833			235.270
	Advances collected for tourism services		71.533	71.533				



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2.2.	TRADE LIABILITIES		981.297	981.297	0	0	0	0
	Suppliers	401	841.194	841.194				
	Suppliers immobilizations	404	76.793	76.793				
	Suppliers – unreceived outstanding invoice	408	63.310	63.310				
2.3.	LIABILITIES TO THE LOCAL AND STATE BUDGET		1.437.437	504.530	932.907	0	0	0
	Social insurances	431	215.616	215.616				
	Unit's contribution to social insurances		7.710	7.710				
	Social insurances contribution		149.385	149.385				
	Contribution of health insurances		58.521	58.521				
	Insuring contribution for labor	436	13.120	13.120				
	Tax on current profit	4411	932.907		932.907			
	Tax on postponed profit	4412	0					
	Undue VAT	4428	2.002	2.002				
	Tax on salaries	444	36.741	36.741				
	Other taxes	446	0	0				
	Special funds	447	7.884	7.884				
	Average fund		0	0				
	Handicap fund		7.884	7.884				
	Other liabilities with the budget	4481	229.167	229.167				
	Specific tax semester I 2018		221.167	221.167				
	Other liabilities		8.000	8.000				
2.4.	LIABILITIES WITH PERSONNEL		451.570	451.570	0	0	0	0
	Collaborators	401	34.529	34.529				
	Personnel – owed salaries	421	155.604	155.604				
	Personnel help owed materials	423	9.814	9.814				
	Personnel money due not cashed	426	2.387	2.387				
	Retentions from salaries owed to third parties	427	11.185	11.185				
	CAR		5.293	5.293				
	Union		1.575	1.575				
	Garnishments		818	818				
	Food support		3.499	3.499				
	Other liabilities concerning the personnel	428	238.051	238.051				
	Transport personnel		5.482	5.482				
	Guarantees keepers		232.569	232.569				
2.5.	OTHER LIABILITIES		2.720.167	2.076.941	574.617	54.241	8.324	6.044
	Other loans and debts assimilated	167	408.307	336.556	3.142	54.241	8.324	6.044
	On term guarantees suppliers		245.292	173.541	3.142	54.241	8.324	6.044



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	Collected guarantees		163.015	163.015				
	Dividends shareholders	457	455.866	455.866				
	Gross dividends 2017		421.192	421.192				
	Net dividends previous years		34.673	34.673				
	Diverse creditors total of which:	462	582.657	11.182	571.475	0	0	0
	Guarantees assets auction		579.180	7.705	571.475	0	0	0
	Const Media Services - Ag.Voiag CFR		7.705	7.705				
	Energoutil Contact - Complex Claudia		571.475		571.475			
	Diverse creditors		3.477	3.477				
	Amounts in clarification	473	1.273.337	1.273.337				

The short term liabilities at 31.12.2018 including the provisions, increased compared to the same period of last year, with **60,21%**, increase owed to:

- the advances in amount of **2.245.547 lei** collected for assets sale based on Sale-purchase asset promises (Hotel Meteor, Hotel Ancora and Garden Rapsodia), advances which will be ended at the moment of signing the sale-purchase contracts;
- the guarantees in sum of **579.180 lei**, collected for the participation at auctions assets buy (Claudia Complex, CFR Travel Agency), which will be ended at the moment of signing the sale-purchase contracts;
- tax on profit calculated at 31.12.2018 in sum of **932.907 lei**;
- amounts in clarification in sum of **1.273.337 lei** represent additional tax on buildings in sum of 939.413,29 lei and additional tax on land in sum of 333.923,37 lei recognized by the company on expenses in the fiscal year 2014 and not paid until the finalization of the litigation with Mangalia City Hall, consequence of the tax inspection made in the period 2008-2012
- the constitution of provisions for annual leave not done and supplementing the beneficiaries of employers to pensioning, forecast to retire in the year 2019 (with the sum of 12.838 lei).

We mention that at the date of elaborating the present report, it was paid the sum of 822.600 lei, representing trade suppliers, of which 615.735 lei represents the debt to Transylvania Hotels & Travel SA.

The non-current liabilities of the Group at 31.12.2018, in total amount of **13.990.404 lei** have a decrease with 8,01% compared to the ones registered at 31.12.2017 ((15.209.362 lei), decrease owed mainly to the integral reimbursement, in advance, of the credit for investments taken from UNICREDIT Bank. The non-current liabilities, including provisions, are composed by



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performance bonds granted by the service suppliers and immobilizations in sum of **65.160 lei**, of the tax on postponed profit in sum of 13.181.121 lei, debt under settlement which will be recognized as payable debt, on the measure of depreciation or stepping out the patrimony and from non-current provisions in sum of 744.059 lei.

The componence of these provisions is the following :

-provison for the sum of **6.000 lei** representing trial expenses for the solutioning of an older file, owed to Balu Eugenia

-provision for the sum of **577.125 lei** representing claims countervalue improvements brought to Villa Flora on the period of its exploitation by Carja Vasile in the File no. 3093/118/2016

-provision for the sum of **9.000 lei** representing claims countervalue for object stolen to the defendant Domuța Maria by unknown persons (tourist who staid at hotel Sirena)- File no. 10813/296/2016

-provision for the sum of **10.000 lei** representing restitution of the sum of 10000 paid by the plaintiff with title of contraventional fine, payment of overtime, claims issued by Dumitrașcu Angela in File no.3282/118/2018

-provision for the sum of **22.413 lei** representing additional allowances for the using of phonograms, owed to the Union of Phonograms Producers;

-provision for the sum of **78.000 lei** representing taxes and accessories calculated additional by Eforie City Hall

- provision for the sum of **41.520 lei** representing trial expenses, lawyer's fee from the files 2639/118/2017 and 4847/212/2010, sum claimed by Mateevici Alexandru, Zellinger, Stoicovici and others in File 15314/212/2018.

The mother-company canceled in the year 2018 provisions in total sum of **386.715 lei**, representing a provision of **352.547 lei** afferent to the definitive sentence pronounce regarding the TV tax owed by THR Marea Neagră SA to the Romanian Television Society for the period 2012-2015 and a provision of **34.168 lei** afferent to the definitive sentence pronounced reffering to the payment of the singer artists for the years 2013 and 2014 and owed to CREDIDAM Bucharest.

THE RESULT OF THE FISCAL YEAR 2018 of the GROUP

Incomes and expenses realized in the ear 2018, on the 2 main categories of activities, compared to the realizations of year 2017, are presented in this way:



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Indicators	2018 (lei)	2017 (lei)	2016 (lei)	Index 2018/ 2017 (%)
Incomes from exploitation total:	63.851.785	39.055.005	48.174.341	163,49%
<i>Accommodation activity</i>	<i>29.528.562</i>	<i>21.016.132</i>	<i>20.160.054</i>	<i>140,50%</i>
<i>Public food service</i>	<i>13.932.309</i>	<i>10.128.015</i>	<i>10.617.463</i>	<i>137,56%</i>
<i>Rental activity</i>	<i>1.139.225</i>	<i>606.151</i>	<i>1.169.102</i>	<i>187,94%</i>
<i>Other incomes included in the turnover (balnear treatment, parking lots, pool entry etc)</i>	<i>2.349.255</i>	<i>3.104.123</i>	<i>3.439.483</i>	<i>75,68%</i>
<i>Assets sale activity</i>	<i>14.673.559</i>	<i>1.382.160</i>	<i>10.919.946</i>	<i>1061,64%</i>
<i>Other incomes (capitalized production, adjustments, fines, penalties etc)</i>	<i>2.228.875</i>	<i>2.818.424</i>	<i>1.868.293</i>	<i>79,08%</i>
Expenses from exploitation total:	50.798.285	36.923.395	42.237.130	137,58%
Expenses with stocks	7.613.704	6.225.155	6.971.502	122,31%
Expenses with utilities	2.781.227	2.279.987	2.579.857	121,98%
Expenses with employees' benefits	14.086.307	12.237.858	11.413.279	115,10%
Expenses with the depreciation and garnishment of immobilizations	7.243.810	7.268.161	7.266.785	99,66%
Expenses with assigned immobilizations and assets held for sale	7.309.729	766.095	6.095.247	954,15%
Expenses with other taxes	4.384.556	3.257.647	3.332.924	134,59%
Expenses with external supplies	5.592.816	3.530.094	4.414.570	158,43%
Other expenses	1.786.134	1.358.398	162.965	131,49%
Result from exploitation	13.053.500	2.131.610	5.937.212	612,38%
Financial incomes	361.371	160.920	197.465	224,57%
Financial expenses	2.506.099	113.124	582.023	2215,36%
Financial result	(2.144.728)	47.796	(384.558)	(4487,25)%
Total incomes	64.213.156	39.215.925	48.371.806	163,74%
Total expenses	53.304.384	37.036.519	42.819.153	143,92%
GROSS result	10.908.772	2.179.406	5.552.654	500,54%
Result before Taxation	10.908.772	2.179.406	5.552.654	500,54%
Expense with tax on current profit	930.777	42.274	1.182.409	2201,77%
Expense with specific tax	467.610	293.512	0	159,32%
Expenses with the tax on postponed profit	109.434	227.584	0	48,09%
Incomes afferent to the tax on postponed profit	0	0	29.269	
NET Result	9.400.951	1.616.036	4.399.514	581,73%

lei



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Indicators	2018 (lei)	2017 (lei)	2016 (lei)	Index 2018/ 2017 (%)
Main activity				
Operating activity				
Incomes	49.178.226	37.672.845	37.254.395	130,54%
Expenses	43.488.555	36.157.300	36.141.883	120,28%
Gross profit from operating activity	5.689.670	1.515.545	1.112.513	375,42%
Financial activity				
Incomes	361.371	160.920	197.465	224,57%
Expenses	2.506.099	113.124	582.023	2215,36%
Financial gross profit	(2.144.728)	47.796	-384.558	(4487,25)%
Total incomes from the main activity	49.539.597	37.833.765	37.451.860	130,94%
Total expenses from the main activity	45.994.654	36.270.424	36.723.906	126,81%
Gross result from the main activity	3.544.943	1.563.341	727.955	226,75%
Activity of assets sale				
Incomes	14.673.559	1.382.160	10.919.946	1061,64%
Expenses	7.309.729	766.095	6.095.247	954,15%
Gross profit from assets sale	7.363.830	616.065	4.824.699	1195,30%
TOTAL incomes	64.213.156	39.215.925	48.371.806	163,74%
TOTAL expenses	53.304.384	37.036.519	42.819.153	143,92%
GROSS PROFIT TOTAL	10.908.772	2.179.406	5.552.654	500,54%
Expenses tax on profit + expenses specific tax+ expenses tax on postponed profit- Incomes tax on postponed profit	1.507.821	563.370	1.153.139	267,64%
NET result	9.400.951	1.616.036	4.399.514	581,73%

The total incomes registered by the GROUP in the year 2018, in amount of **64.213.156 lei** (including incomes from provision annulment in sum of 386.715 lei) register **an increase with 63,74% compared to** the volume registered in the previous year, **2017** (39.215.925 lei).



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The total expenses registered by the GROUP in the fiscal year 2018, in amount of **53.304.384 lei** (less the expenses with the tax on profit, postponed and specific), also register an increase with **43,92% compared to** the expenses of the year **2017** (37.036.519 lei).

On activities, reported to the weight of the realized incomes, in total incomes, it can be identified two main categories, such as: *the main activity* of the company (strictly operational), generating incomes in a percentage of 76,59% from total incomes and the activity of assets sale, according to the strategy approved by the Shareholders' General Meeting of restructuring THR Marea Neagra SA, with incomes in a percentage of 22,85% of the total.

The gross realized profit in amount of **10.908.772 lei** presents, on activities, the following structure:

- | | | |
|------------------------|------------------------|------------|
| • Operation activity | 5.689.670 lei | 52,16 % |
| • Financial activity | (2.144.728) lei | (19,66) %; |
| • Assets sale activity | 7.363.830 lei | 67,50 %; |

At 31 December 2018, the company registers a **gross profit from the main activity of 3.544.943 lei**, meaning an increase with **126,75%** compared to the realized of the year 2017 (1.563.341 lei), having as structure the following indicators:

- **Gross profit from the operation activity of 5.689.670 lei** – with an **increase with 275,42%** compared to the one realized at 31.12.2017 (1.515.545 lei);
- **Loss from the financial activity, of 2.144.728 lei** – owed especially to the devaluation with the sum of 2.432.100 lei of the shares owned by THR Marea Neagră SA at Transilvania Hotels & Travel SA, company in insolvency from 2017

Regarding the **gross profit from the assets sale**, we register a value of **7.363.830 lei**, representing an increase with **1.905,30%** compared to the realized of the year **2017** (616.065 lei) and is owed to the sale of the assets Lidia Complex (building and land), Hotel Riviera, Vila Flora (building and land), Saturn Confectionery (building and land), of the afferent land of Snack Bar Carmen Eforie Nord and a parcel of land of 383 mp from Resort Village Dunărea.

The managing boards of the two companies took steps, in the year 2018, of strictly control of the expenses and of their resizing.



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Mainly, these consisted of:

- managing the tourists' arrival to certain hotels and restaurants for ensuring a degree of occupation to allow their exploitation in efficient conditions, and for the rest, ensuring minimum functioning conditions;
- reducing the consume of utilities and their optimization by establishing crisis consume quotas;
- direct supply of units, viewing the reducing of costs with transportation, stocking and distribution;
- rhythm supply, based on a well underlain necessary, ensuring minimum stocks;
- employing the personnel proportionally to the evolution of incomes;
- the return of the goods at providers, at closing the units;
- restriction on general and administration expenses;
- very careful control of the treasury flows correlating with payments, the reducing of the bank balance of the loans account and the afferent interests;
- the careful control of the maturities at the state and local budgets, partners, in order to avoid delays leading to the payment of penalties and/or fines
- collecting at maturity the receivables, complying with the procedure of recovering them.

In conclusion, at the end of the year 2018, the GROUP registered a gross profit in amount of 10.908.772 lei, and a net profit determined after the deduction of the tax on current profit, postponed and specific calculated, according to the law, in amount of 9.400.951 lei.

3.Ensuring financial resources, honoring the payment obligations

During the year 2018, the Group financed its activity by using the internal sources, and the mother-Company and by hiring a revolving credit with BCR in amount of 7.500.000 lei, credit line which at 31.12.2018 is not used.

In the month August 2018, it was totally reimbursed the investments credit from UNICREDIT Bank, although he was due at 01.10.2020.

In what regards honoring of the payment obligations, the Group does not register at the date of 31.12.2018 outstanding obligations reported to the state budget, bank institutions and other authorities.



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4. Assets of the trade company

4.1. The main capacities of accommodation and public food service of the mother-Company

(Balneoterapia does not own assets such as constructions or lands, developing its activity in the treatment units which pertain to the mother-company), **which are in the tourism circuit in the year 2018 and consist of:**

Accommodation units

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

Public food service units:

- 2 restaurants with 4*, with a total capacity of 992 berths
- 6 restaurants with 3*, with a total capacity of 2.482 berths
- 5 restaurants with 2*, total capacity of 1.418 berths
- 2 day bars with 4*, total capacity of 120 berths
- 9 day bars with 3* with a total capacity of 464 berths
- 1 day bar with 2*, total capacity of 60 berths
- 2 buffets with 1*, total capacity 120 berths.

Amusement units:

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

Balnear treatment units:

- 4 treatment hotels: Bran-Brad-Bega Complex, Hora, Balada and Sirena with a total capacity of 5.350 procedures daily.

Totally, THR Marea Neagra SA had in 2018 in the tourism circuit 6.580 accommodation vacancies and 4.892 public food service vacancies, the distribution on resorts being presented above:

Categ. clasif	Eforie Nord		Eforie Sud		Venus		Saturn		Total general	
Hotels	units	cap	units	cap	units	cap	units	cap	units	vacancies
****	1	438	0	0	0	0	1	554	2	992
***	0	0	0	0	2	504	6	2.942	8	3446
**	3	502	2	434	0	0	4	1.206	9	2142
Total accomm.	4	940	2	434	2	504	11	4.702	19	6.580



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Restaurants										
****	1	438	0	0	0	0	1	554	2	992
***	0	0	0	0	1	182	5	2.300	6	2.482
**	1	226	1	218	1	220	2	754	5	1.418
Total restaurants	2	664	1	218	2	402	8	3.608	13	4.892
Bars										
****	1	80	0	0	0	0	1	40	2	120
***	0	0	0	0	2	94	7	330	9	424
**	1	60	0	0	0	0	0	0	1	60
Total day bars	2	140	0	0	2	94	8	370	12	604
Buffets										
*	0	0	1	30	0	0	1	90	2	120
Total buffets	0	0	1	30	0	0	1	90	2	120

4.2 Description and analyzing the degree of degradation of the properties THR Marea Neagra SA

The assets owned by THR Marea Neagra SA are older than 45 years, being generally constructed in the period 1968-1972. The assets in the tourism circuit own classification certificates and legal functioning permits, complying with the legal requirements for the respective comfort category.

A part of the assets have been modernized in the last 10 years, being upgraded the comfort degree from one or two stars to three and four stars. The works made were large, comprising consolidations, so at these ones is registered a degree of degradation smaller than their age.

A peculiarity of the activity is represented by the existence in the patrimony of some productive and auxiliary nonfunctional units, and others partially functional which encumber the main activity and the economic result, being given the necessary of investments and the acute lack of funds, the low level of the real estate market and implicit the reduced possibility of exploiting the assets approved for sale through the strategy of the company.

These assets generate fixed expenses and also variable expenses necessary for preserving, fixed expenses like taxes being fined by Law no.227/2015 of the Fiscal Code, being applied starting with 01.01.2017



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For the optimization of these costs, it was forecast the partial functioning of some assets where it is possible, with the purpose of reducing the registered volume of loss.

5. Evaluation of activities of investments and development

The company is in a permanent search of solutions for reducing costs but also for attracting new customers. The company implemented alternative solutions of producing thermal energy for preparing domestic hot water with sun energy, the solution being in expansion. At the same time, taking into account that the local administration finalized the investment of gas alimentation of resorts, the company started the process of connection of the thermal centrals to the gas line, with a positive impact on the environment and also to the efficient use of the financial resources.

In the year 2018, the mother-company made significant investments in amount of **8.626.767 lei** (VAT included), presented in the below table:

No. crt.	Unit	Investments object	Total value of which:	Works	Equip.
1	Hotel Diana	Work of constructions at interior, furniture and moquette in rooms, wood carpentry rooms	1.045.976	662.933	383.043
2	Restaurant Cerna	Enlargement kitchen, equipment for kitchen,, construction works, sanitary installation, painting the walls, electric installations	929.446	720.776	208.670
3	Hotel Venus + CT	Moquette in rooms and hallways, furniture, tiles 1880 sm, painting the walls, wood carpentry 450 sm, Modernization electric panels CT	902.878	600.148	302.730
4	Hotel Sirena	Underground installations, chiller, project assembly of caldron, electric installation and automation	621.288	621.288	0
5	Hotel Balada	Doors at rooms floors 1,2,8-13, moquette 1,2,8-13, Rehabilitation electric panels	618.077	618.077	0
6	Restaurant Venus	Cleaning kitchen space, modernization saloon and terrace, carpentry replacement , arrange cafeteria line. Rehabilitation partial kitchen area. Rehabilitation small baths, small saloon at ground floor, cafeteria self-service line	586.215	507.929	78.286
7	Hotel Raluca	Rehabilitation frontage	294.996	294.996	0
8	Administrative head office	Installation air conditions, intangible assets (licenses, work projects), electronic cash register with electronic archive	288.839	14.278	274.560
9	Piscina BBB, Raluca, Balada, Cleopatra	Rehabilitation interior, exterior	191.257	191.257	0
10	Sediu Adm.	Economic stock management system Clarvision	170.925	170.925	0
11	Hotel Bega	Works sanitary installations , painting the walls, electric inst.	156.700	156.700	0



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12	H.Cleopatra, R.Cleopatra, H. + R.Sirena, H + R.Lidia, H + R.Narcis,complex BBB,	Elaboration of documentation ISU	125.690	125.690	0
13	Hotel Cleopatra	Hallway doors, antifire doors	118.829	118.829	0
14	Hotel Capitol	Modernization electric panels, rearrangement 12 bathrooms	100.051	100.051	0
15	Hotel Aida	Handrail fire staircase	95.248	95.248	0
16	Plaja Sector 1	Furniture equipment, project beach arrangement	92.839	0	92.839
17	Restaurant Capitol	Waterproofing kitchen area, locker rooms, modernization electric panels	85.275	85.275	0
18	Hotel Gloria	Modernization electric panels	82.195	82.195	0
19	Hotel Cerna	Rehabilitation sanitary groups and underground installations	75.626	75.626	0
20	Hotel Vraja Marii	Modernization electric panels, rehabilitation balconies, exterior painting	67.887	67.887	0
21	Administrative head office	BITSOFT - intangible assets (interfaces OPERA- Clarvision swi MC-Clarvision)	57.259	57.259	0
22	Restaurant Bega + Brad	Equipment kitchen appliances, ventilators	53.304	46.494	6.810
23	Rest. Balada	Exterior esthetics, equipment kitchen appliances	52.568	41.557	11.011
24	Rest. Narcis	Rehabilitation (finalization work started in 2016)	23.614	23.614	0
25	Restaurant Aida	Arrangement of locker rooms	20.003	20.003	0
26	Hotel Prahova	Exterior esthetics, east frontage	33.095	33.095	0
27	Units THR Marea Neagra	Works sanitary constructions, sanitary installations, painting walls, electric installations	359.306	359.306	0
		TOTAL INVESTMENTS (lei minus VAT)	7.249.384	5.891.436	1.357.948
		VAT	1.377.383		
		TOTAL INVESTMENTS (lei including VAT)	8.626.767		

For financing the investments there were used the following **internal financing sources**:

Explanations	THR BVC 2018	THR Realized at 31.12.2018
Financed sources not used from the previous year	10.054.713	10.054.713
Depreciation	6.940.000	6.714.282
Cash Flow from assets sale	4.700.000	17.747.854
Financing fund 2017	90.000	90.000
Total internal financing sources	21.784.713	34.606.849
Reimbursement credit for investments + interests	(920.000)	(2.467.979)
Reimbursement of the performance bond	(230.000)	(351.519)
Dividends 2017	(1.800.000)	(830.658)
Total financing sources	18.834.713	30.956.693



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The action of financing investments was sustained fully by internal sources.

6. Mentioning of the potential problems concerning the property right on tangible assets of the Group

Litigations concerning the property on **constructions** pertaining to T.H.R. Marea Neagra S.A.:

Agency PTTR Ag. Voiaj Saturn against CN Poșta Română

7. Market of exchange securities issued by THR Marea Neagra SA

7.1. Mentioning of the Romanian markets and from other countries in which exchange securities are negotiated

THR Marea Neagra SA is a company owned publicly, according to the terminology provided in the Law 24/2017 regarding the stock market, being registered at the National Commission of Exchange Securities- Office for the registration of exchange securities.

The shares of THR Marea Neagra SA are listed on the II category of the Stock Market Bucharest starting with 15 August 2002, with the symbol “EFO”.

In the last day of transaction of the year 2018, respectively 31.12.2018, at closing the Stock Market, the securities of THR Marea Neagra SA were listed at a maximum value of 0,0924 lei/security, compared to 0.098 lei/security at 30.12.2017.

7.2. Description of the policy of the trade company regarding the dividends. Mentioning the dividends due/paid/accumulated in the last 3 years.

For the year 2015, the Shareholders' General Meeting THR Marea Neagra SA decided to distribute the profit for the constitution of the legal reserves, of the internal financing sources and dividends in amount of **3.137.436 lei**.

For the year 2016, the Shareholders' General Meeting THR Marea Neagra SA decided to distribute the profit for the constitution of the legal reserves, of the internal financing sources and dividends in amount of **3.936.860 lei**.

For the year 2017, the Shareholders' General Meeting THR Marea Neagra SA decided to distribute the profit for the constitution of the legal reserves, of the internal financing sources and dividends in amount of **839.477 lei**.

7.3. Description of any activities of the trade company THR Marea Neagra SA of procurement of internal shares.



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The company THR Marea Neagra SA did not procure internal shares in the year 2018.

7.4. If the mother-company has subsidiaries, mention the number and the nominal value of the shares issued by the mother-company owned by subsidiaries.

The company THR Marea Neagră SA owns contributions in the issued capital of other entities, in this way:

- 32,059% of the issued capital of the company Transilvania Hotels & Travel.

7.5.If the trade company issued bonds and/or debt securities, presentation of the manner in which the trade company respects its obligations towards the owner of these exchange securities.

THR Marea Neagra SA did not issue bonds in the period of the year 2018.

8. MANAGEMENT of the two companies forming the GROUP

8.1.The Board of Supervisors/Board of Administration

THR MAREA NEAGRA SA, in year 2018 was managed by a Board of Supervisors formed by 3 members:

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

The Boards of Supervisors gathered periodically in meetings, according to the provisions of Law 31/1991, republished and to the provisions of the constitutive Document.

All the efforts of the Board of Supervisors have been oriented to the accomplishment of the company mission, to ensure quality services, with the help of qualified personnel. Also, the priority objective is the development of technical-material base, rehabilitation and modernization of the existent one, through a coherent and consequent program of investments, in the conditions of a real protection of the environment.

The Board of Supervisors followed the realization of the activity program proposed for the year 2018, the execution of the monthly and semestrial incomes and expenses budget and of the approved investments program.

The provisional effort and of organization of the Board of Supervisors concretized in future development programs of the company, marketing programs, informatics programs, promotion and



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recruitment of the personnel and increase of the quality of tourism product, procedure systems for the main activities of the company and reconsidering its organizational structure.

- a) *Any agreement or family connection between the respective administrator and another person thanks to which the respective person was designated administrator.*

It is not the case.

- b) *Participation of the Board members at the capital of the trade company*

Mr. Mielu Dobrin, president of the Boards of Supervisors, owns 406.759 shares issued by the company.

- c) *The list of persons affiliated to the trade company:*

The persons affiliated to the company THR Marea Neagra SA are:

- S.I.F. Transilvania S.A., company which owns 77,71 % of the shares issued by T.H.R. Marea Neagră S.A.;
- Transilvania Hotels & Travel S.A., company at which T.H.R. Marea Neagră S.A. owns 32,059% of its social capital.

BALNEOTERAPIA, until the date of 19.12.2018 it was administered by an Administration Council formed by 3 members:

- Butoi Nicolae – Presidents
- Cazacu Dorinel - member
- Bardan Horia - member

Starting with the date of 19.12.2018, consequence of the resignation of Mr. Cazacu Dorinel and revoking from the charge of members of the Board of Administration of Mr. Butoi Nicolae and Mr. Bardan Horia, by the Decision of SGM no.5, it is designated sole administrator Mrs. Costina Zaberca.



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8.2.Presentation of the list of members of executive managers of the two companies

THR MAREA NEAGRĂ SA

The executive management of the company is represented by a Directorate formed by 3 members.
The Directorate was composed **until the date of 23.04.2018** by:

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

At the date of 20.04.2018, the mandate granted to Cazacu Dorinel terminated, concerning the granting and exerting the function of member of the company Directorate, consequence of his resignation and it is designated also Vicepresident of the company Mr. FRUNZĂ VICTOR ALEXANDRU, for the period 23.04.2018 – 30.09.2018.

At the date of 30.09.2018, as consequence of the termination of mandate granted to Mr. Frunza Victor Alexandru, it is designated in the function of member of company Directorate Mr. Stănescu Constantin, for a mandate between 01.10.2018 - 31.12.2018.

Through the Decision of the Board of Supervisors no. 20/28.09.2018, it is extended the mandate contract concluded with Ms. Moșoiu Narcisa, president of the Directorate for the period 01.10.2018-31.12.2021 and of Ms. Pârcălabu Domnica Doina, member of the Directorate, for the period 01.10.2018-31.12.2018 and her naming in the charge of Vicepresident of the company Directorate.

- a) *Any agreement or family connection between the respective administrator and another person thanks to which the respective person was designated administrator.*

It is not the case.

- b) *Participation of the Board members at the capital of the trade company*

Ms. Narcisa Georgiana Moșoiu owns a number of 1.500 shares issued by the company.

BALNEOTERAPIA S.R.L.

Until the date of 19.12.2018, the executive board of the company was formed by 2 members:

- Stan Virgil – general manager
- Epure Ioan – chief accountant



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Through the decision of the SGM no.5 at 19.12.2018 it was eliminated the function of general manager, but presently this function is owned by Mr. Stan Virgil and Mr. Epure Ioan owns the function of chief accountant.

8.3. For all the persons presented at 8.1. and 8.2., mentioning the eventual litigations or administrative procedures in which they were involved, in the last 5 years, referring to their activity within the issuer, and those referring to the capacity of the respective person to accomplish the attributions within the issuer.

It is not the case.

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

9.1. The Management of the Group has ensured and ensures a prudent management of the liquidity ratios, permanently pursuing to ensure sufficient cash, in order to effect the due payments.

The specific of the developed activity determines the exposure of the company to a variety of risks with general character but also with risks specific to the activity and the financial market on which it is operated. The risk is defined as the possibility to be registered unfavorable situations in results compared to the forecast level, because of random fluctuations. The significant risks represent the risks with a high impact on the patrimony situation and/or reputation of the company.

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

In the developed activity, the Group can confront with uncontrollable risks, which are generally associated to external factors, such as macroeconomic conditions, changes in legislation, changes related to the competitive environment, etc. Usually, it is confronted with controllable risks, for which there are adopted policies and active administration procedures (analysis, monitoring and control). These risks are associated to some internal factors, such as the type of the developed activity, the complexity of the organizational structure, the quality of personnel, etc.

The main risks to which the Group is exposed are:

- The interest rate risk

The operational cash flows of the company are affected by the variations of the interests rate, mainly in the case of credit lines contracted depending on ROBOR rate. In the last years, the reference rate ROBOR had a relatively constant trend, which makes this risk a reduced one.



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- The credit risk

The credit risk is represented by the risk of registering losses or un-realizations of estimated profits, as a consequence of not accomplishing the financial obligations.

- The liquidity ratio

The liquidity represents the capacity of the company to ensure itself the necessary funds for accomplishing all its payment obligations, direct and indirect, at a reasonable price in any moment. The liquidity ratio is the actual or potential ratio to which may be subjected the profits and the capital of the company in case of its impossibility to accomplish its payment obligations at maturity.

The Group has always been pursuing to ensure a balance between its financing sources and its needs on short term, so it always has liquidities for accomplishing its financial obligations. The Company elaborates monthly forecasts of cash-flow for periods varying between 6 months to one year, so it can detect on time an eventual lack of liquidities and can take measures for this.

- the operating risk

The operating risk is defined as the risk of registering losses or the non-realization of the forecast profits because of internal factors, such as the inadequate deployment of some internal activities, the existence of misfit personnel or systems or because of external factors such as economic conditions, changes on the capital market, technological progress. The operating risk is inherent to all the activities of the Company.

The policies adopted by the Group on the prevention and management of operating risk can have a direct, negative impact on the exploitation activity (main), they took in consideration every type of event which can generate such risks.

9.2. Perspective elements related to the Group activity

One of the products with high growth in the future is the balnear tourism. The units of the company are situated in resorts with natural factors of treatment. The company identified this opportunity and obtained the permits of exploitation of these natural resources, extending the capacity of the treatment units, so it can meet the demands.

This segment of the balnear tourism ensured the diminution of the effects of the seasonal activity and also helps at attracting foreign tourists, especially Europeans. The European Directive no. 24/2011 regulates the patients' rights within the trans-border medical assistance, ensuring the legal frame to be guaranteed the rights of the European citizens to beneficiate from medical services in all the European Union countries. One of the main concerns of the Group is to attract this segment of tourists.



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Another development direction is the amusement tourism, which constitutes a priority for the company, having in the projection stage the rearrangement of the environment, including the development of amusement facilities. A major preoccupation is represented by widening the distribution channels. The Group is continuously searching new customers and consolidating the relations on the market with the present customers.

10. CORPORATIVE GOVERNANCE of the company THR Marea Neagră SA

The Board of Supervisors gathered periodically in meetings, according to the prevision of Law 31/1990, republished and any time it was necessary, its attributions being regulated in the Constitutive Document.

During the year 2018, the activity of the Board of Supervisors was focused on the realization of the Company's object of activity, according to the decisions of the S.G.M., the legal provisions and the ones of the Articles of Incorporations.

One of the constant preoccupations of the members of the Board of Supervisors was the increase of sales through the sale department, the identification of new customers and building the traditional customers' loyalty. Also, it was taken into account the improvement of the promotion policy of tourism products, through launching special offers and customized offers for special categories of tourists.

The company actively searched potential customers, organized public auctions and made an adequate publicity to this kind of transactions.

The litigations of the company are systematically monitored by the Board of Supervisors, so every meeting of the board had on agenda of meeting at least one point referring to the main litigations of the company. The Board of Supervisors analyzed the options that the Company has in these cases and, where the case may be, it employed specialized teams of lawyers in these litigations.

Once passing to the two tier administration system, the Board of Supervisors established two commissions, with the following composition:

- Audit commission: Mielu Dobrin and Florin Dănuș Buzatu
- Remuneration and delegation commission: Dragoș Călin and Florin Dănuș Buzatu.
-

The attributions of the Board are clearly established, being provided in the mandate contracts concluded with the company.

In the year 2018, within our company was implemented a system of internal control, for the main



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activities being established work procedures. The internal control is ensured at all levels, within the company being organized an Office of internal financial control and inventory.

The activity of internal audit was ensured by Romar-CO Audit SRL, audit in direct subordination of the Board of Supervisors.

The Company adhered to a Code of Corporate Governance, issuing yearly the Declaration of conformity provided by CGC.

The financial-accountant reports of the company are transmitted to the fiscal authorities and market organisms on the terms stipulated by law.

The Company registers at the date of 31.12.2018 a share capital in amount of 57.894.993,90 lei, subscribed and paid share capital representing a number of 578.949.939 registered shares, ordinary, dematerialized and undivisible with a nominal value of 0,1 lei/share. The Company complies in this way with the provisions of article 10 of the Law 31/1990 concerning the trade companies, regarding the minimum level of the share capital for joint stock companies.

All the shares can be traded freely on the Stock Market Bucharest, without limitation related to possessing securities, the necessity of obtaining the approval of the issuer or of other owners of exchange securities.

During the year 2018, the subscribed and paid share capital did not modify, the shareholders' structure at 31.12.2018, taken from the website BVB is the following:

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

The Company does not have a schema of shares granting to the employees and does not exist restrictions concerning the right to vote. Also, does not have any knowledge about agreements between shareholders which can have as result restrictions referring to the transfer of exchange securities and/or rights to vote.

The naming or replacing of the managing members of the company and the modification of the Articles of incorporation are made according to the legal provisions. Until now, the proposals for members in the Board of Supervisors were made by the major shareholder, the naming being decided by the Shareholders' General Meeting.



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The president of the Board of Supervisors is chosen by vote by the members of the Board of Supervisors.

In what concerns the naming of the Directorate members and the functions within the Directorate, this is made by the Board of Supervisors.

The meetings of the shareholders' general gatherings are developed in this way:

-it is verified the shareholders' attendance list, the share capital which each represents and the observation of accomplishing the legal requirements and of the provisions of the Articles of Incorporation for holding the general meeting;

-there are presented the point on the agenda of the day of the convocation and are voted;

-the decisions of GSM are taken by open vote, excepting the one for naming the members of the Board of Supervision and for financial auditor, for which it is mandatory the secret vote;

-it is verified the result of the vote and it is consigned in the report of the meeting.

The shareholders have non-patrimony rights (the right to participate to the general meetings of the shareholders, the right to vote, the right to be informed) and patrimony rights (the right to dividends and the right to sale the assets).

11. Conclusions and proposal of repartition of the mother-company profit

In the year 2018, the company deployed its activity according to the provisions of the Articles of Incorporation, of the Shareholder's Meeting and B.V.C., complying with the valid legislation concerning the organization and reflection in accountancy of specific activities, and also the reglementation of the capital market.

At the end on the year 2018, the Company registers a net profit of 9.823.215 lei, which the Directorate proposes to be distributes in this manner:

- | | |
|---|-------------------------|
| • At the legal reserve, according to art. 183 | 565.153,00 lei |
| of the Law 31/1990 of trade companies, republished | |
| • Distribution at other reserves | 4.348.566,52 lei |
| • Distribution of dividends to the shareholders | 4.909.495,48 lei |



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(gross dividend/share = 0,00848 lei)

Narcisa MOȘOIU

GENERAL DIRECTOR/EXECUTIVE PRESIDENT

Constantin STĂNESCU

TECHNICAL DIRECTOR/VICEPRESIDENT DIRECTORATE

Mircea CRISTIAN

ECONOMIC DIRECTOR/ DIRECTORATE MEMBER

Subsemnatul, Cîrlan Georgiana Andreea, interpret și traducător autorizat pentru limbile engleză și spaniolă, în temeiul autorizației numărul 30019/27.09.2010, eliberată de Ministerul Justiției din România, certific exactitatea traducerii din limba română în limba engleză.



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 Cont IBAN: RO71 RNCB 0117 0151 6314 0001, Banca Comercială Română – Agenția Mangalia
 Capital social subscris și varsat : 57.894.993,9 lei
 Societate administrată în sistem dualist

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Compliance with the state of Corporate Governance Code of BVB - March 2019

Requirements to be observed	Conformation	Not conformation or partial conformation	Explanations
A.1 All companies should have internal regulation of the Board which includes terms of reference/responsibilities for Board and key management functions of the company, applying, among others, the General Principles of Section A.	Yes		
A.2 Provisions for the management of conflict of interest should be included in Board regulation. In any event, members of the Board should notify the Board of any conflicts of interest which have arisen or may arise, and should refrain from taking part in the discussion (including by not being present where this does not render the meeting non-quorate) and from voting on the adoption of a resolution on the issue which gives rise to such conflict of interest.	Yes		
A.3 The Supervisory Board or Board of Directors should have at least five members.		Not	According to art.153.6 (3) of the Law no. 31/1990, the minimum number of members is 3



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A.4 The majority of the members of the Board of Directors should be non-executive. At least one member of the board of directors or the supervisory board must be independent in the case of companies in the standard category. Not less than two non-executive members of the Board of Directors should be independent, in the case of Premium Tier Companies. Each independent member of the Board of Directors or of the Supervisory Board, as the case, should submit a declaration that he/she is independent at the moment of his/her nomination for election or re-election as well as when any change in his/her status arises, by demonstrating the ground on which he/she is considered independent in character and judgment and according to the following criteria:

A.4.1 is not the Chief Executive Officer / Chief Executive Officer of the Company or a Company controlled by it, and has not held such a position for the past five (5) years;

A.4.2 not employed by the company or a company controlled by it and has not held such a position for the past five (5) years;

A.4.3 do not receive or receive additional remuneration or other benefits from the company or a company controlled by it other than those of the non-executive trustee;

A.4.4 not is nor was, or has not, or had, during the previous year, a contractual relationship with a significant shareholder of the company, a shareholder controlling more than 10% of the voting rights, or a company controlled by it;

A.4.5 does not have and did not have a business or professional report with the company or a company controlled by it, either directly or as a client, partner, shareholder, member of the Board / Administrator, general manager / executive director or employee of a company if, by virtue of its substantive nature, this report may affect its objectivity;

A.4.6 is not and has not been for the past three years the external or internal auditor or partner or associate employee of the current external financial auditor or the internal auditor of the company or a company controlled by it;

A.4.7. is not the general manager / executive director of another company where another general manager / executive director of the company is non-executive;

A.4.8 has not been a non-executive manager of the company for more than 12 years;

A.4.9 has no family ties with a person in the situations referred to in A.4.1. and

Yes

The opportunity to issue a declaration on the fulfillment of the criteria of independence within the meaning of Law 31/1990 will be analyzed.



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A.5 A Board member's other relatively permanent professional commitments and engagements, including executive and non-executive Board positions in companies and not-for-profit institutions, should be disclosed to shareholders and to potential investors before appointment and during his/her mandate.	Yes		
A.6 Any member of the Board should submit to the Board, information on any relationship with a shareholder who holds directly or indirectly, shares representing more than 5% of all voting rights. This obligation concerns any kind of relationship which may affect the position of the member on issues decided by the Board.	Yes		
A.7 The company should appoint a Board secretary responsible for supporting the work of the Board.	Yes		
A.8 The corporate governance statement should inform on whether an evaluation of the Board has taken place under the leadership of the chairman or the nomination committee and, if it has, summarize key action points and changes resulting from it. The company should have a policy/guidance regarding the evaluation of the Board containing the purpose, criteria and frequency of the evaluation process.	Yes		Consideration will be given to the development of a guide on the evaluation of the Board
A.9 The corporate governance statement should contain information on the number of meeting of the Board and the committees during the past year, attendance by directors (in person and in absentia) and a report of the Board and committees on their activities.	Yes		
A.10 The corporate governance statement should contain information on the precise number of the independent members of the Board of Directors or of the Supervisory Board.	Yes		
A.11 The Board of Premium Tier companies should set up a nomination committee formed of non-executives, which will lead the process for Board appointments and make recommendations to the Board. The majority of the members of the nomination committee should be independent.		Not	We do not fall within Premium category



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B.1 The Board should set up an audit committee, and at least one member should be an independent non-executive. The majority of members, including the chairman, should have proven an adequate qualification relevant to the functions and responsibilities of the committee. At least of the audit committee should have proven and adequate auditing or accounting experience. In the case of Premium Tier companies, the audit committee should be composed of at least three members and the majority of the audit committee should be independent.	Yes		
B.2 The audit committee should be chaired by an independent non-executive member.	Yes		
B.3 Among its responsibilities, the audit committee should undertake an annual assessment of the system of internal control.	Yes		
B.4 The assessment should consider the effectiveness and scope of the internal audit function, the adequacy of risk management and internal control reports to the audit committee of the Board, management's responsiveness and effectiveness in dealing with identified internal control failing or weaknesses and their submission of relevant reports to the Board.	Yes		
B.5 The audit committee should review conflicts of interests in transactions of the company and its subsidiaries with related parties.	Yes		
B.6 The audit committee should evaluate the efficiency of the internal control system and the risk management system.	Yes		
B.7 The audit committee should monitor the application of statutory and generally accepted standards of internal auditing. The audit committee should receive and evaluate the reports of the internal audit team.	Yes		
B.8 Whenever the Code mentions reviews or analysis to be exercised by the Audit Committee, these should be followed by cyclical (at least annual), or ad-hoc reports to be submitted to the Board afterwards.	Yes		



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B.9 No shareholder may be given undue preference over other shareholders with regard to transactions and agreements made by the company with shareholders and their related parties.	Yes		
B.10 The Board should adopt a policy ensuring that any transaction of the company with any of the companies with which it has close relations, that is equal to or more than 5% of the net assets of the company (as stated in the latest financial report), should be approved by the Board following an obligatory opinion of the Board's audit committee, and fairly disclosed to the shareholders and potential investors, to the extent that such transactions fall under the category of events subject to disclosure requirements.		Not	Consider making such a policy
B.11 The internal audits should be carried out by a separate structural division (internal audit department) within the company or by retaining an independent third-party entity.	Yes		
B.12 To ensure the fulfillment of the core functions of the internal audit department, it should report functionally to the Board via the audit committee. For administrative purposes and in the scope related to the obligations of the management to monitor and mitigate risks, it should report directly to the chief executive officer.	Yes		



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C.1 The company should publish a remuneration policy on its website and include in its annual report a remuneration statement on the implementation of this policy during the annual period under review. The remuneration policy should be formulated in such a way that allows stakeholders to understand the principles and rationale behind the remuneration of the members of the Board and the CEO, as well as of the members of the Management Board in two-tier board systems. It should describe the remuneration governance and decision-making process, detail the components of executive remuneration (i.e. salaries, annual bonus, long term stock-linked incentives, benefits in kind, pensions, and others) and describe each component's purpose, principles and assumptions (including the general performance criteria related to any form of variable remuneration). In addition, the remuneration policy should disclose the duration of the executive's contract and their notice period and eventual compensation for revocation without cause. The remuneration report should present the implementation of the remuneration policy for the persons identified in the remuneration policy during the annual period under review. Any essential change of the remuneration policy should be published on the corporate website in a timely fashion.		Not	The Company will include a statement in the annual report on the implementation of the remuneration policy .
D.1 The company should have an Investor Relations function – indicated, by person (s) responsible or on organizational unit, to the general public. In addition to information required by legal provisions, the company should include on its corporate website a dedicated Investor Relations section, both in Romanian and English, with all relevant information of interest for investors, including:	Yes		
D.1.1 Principal corporate regulations: the articles of association, general shareholder's meeting procedures;	Yes		
D.1.2 Professional CVs of the members of its governing bodies, a Board member' other professional commitments, including executive and non-executive Board positions in companies and not-for-profit institutions;	Yes		



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D.1.3 Current reports and periodic reports (quarterly, semi-annual and annual reports) – at least as provided at item D.8 – including current reports with detailed information related to non-compliance with the present Code;	Yes		
D.1.4 Information related to general meetings of shareholders: the agenda and supporting materials; the procedure approved for the election of Board members; the rationale for the proposal of candidates for the election to the Board, together with their professional CVs; shareholders' questions related to the agenda and the company's answers, including the decisions taken;	Yes		
D.1.5 Information on corporate events, such as payment of dividends and other distributions to shareholders, or other events leading to the acquisition or limitation of rights of a shareholder, including the deadlines and principles applied to such operations. Such information should be published within a timeframe that enables investors to make investment decisions;	Yes		
D.1.6 The name and contact data of a person who should be able to provide knowledgeable information on request;	Yes		
D.1.7 Corporate presentations (e.g. IR presentations, quarterly results presentations, etc.), financial statements (quarterly, semi-annual, annual), auditor reports and annual reports.	Yes		
D.2 A company should have an annual cash distribution or dividend policy, proposed by the CEO or the Management Board and adopted by the Board, as a set of directions the company intends to follow regarding the distribution of net profit. The annual cash distribution or dividend policy principles should be published on the corporate website.		Not	There is no legal obligation



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D.3 The company will adopt a policy with respect to forecasts, whether they are distributed or not. Forecasts means the quantified conclusions of studies aimed at determining the total impact of a list of factors related to a future period (so called assumptions): by nature such a task is based upon a high level of uncertainty, with results sometimes significantly differing from forecasts initially presented. The policy should provide for the frequency, period envisaged, and content of forecasts. Forecasts, if published, may only be part of annual, semi-annual or quarterly reports. The forecast policy should be published on the corporate website.		Not	There is no legal obligation
D.4 The rules of general meetings of shareholders should not restrict the participation of shareholders in general meetings and the exercising of their rights. Amendments of the rules should take effect, at the earliest, as of the next general meeting of shareholders.	Yes		
D.5 The external auditors should attend the shareholders' meeting when their reports are presented there.	Yes		
D.6 The Board should present to the annual general meeting of shareholders a brief assessment of the internal controls and significant risk management system, as well as opinions on issues subject to resolution at the general meeting.	Yes		
D.7 Any professional, consultant, expert or financial analyst may participate in the shareholders' meeting upon prior invitation from the Chairman of the Board. Accredited journalists may also participate in the general meeting of shareholders, unless the Chairman of the Board decides otherwise.	Yes		
D.8 The quarterly and semi-annual financial reports should include information in both Romanian and English regarding the key drivers influencing the change in sales, operating profit, net profit and other relevant financial indicators, both on quarter-on quarter and year-on-year terms.	Yes		



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D.9 A company should organize at least two meetings/conference calls with analysts and investors each year. The information presented on these occasions should be published in the IR section of the company website at the time of the meetings/conference calls.		Not	There is no legal obligation
D.10 If a company supports various forms of artistic and cultural expression, sport activities, educational or scientific activities, and considers the resulting impact on the innovativeness and competitiveness of the company part of its business mission and development strategy, it should publish the policy guiding its activity in this area.	Yes		

Narcisa MOȘOIU

GENERAL MANAGER/CHAIRMAN OF THE BOARD

Constantin STĂNESCU

TECHNICAL MANAGER/ VICE-CHAIRMAN OF THE BOARD

Mircea CRISTIAN

ECONOMIC MANAGER/MEMBER OF THE BOARD

**TURISM, HOTELURI, RESTAURANTE MAREA NEAGRA SA
SEPARATED FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

(All amounts are presented in RON)

TURISM, HOTELURI, RESTAURANTE MAREA NEAGRA S.A., a company managed in a two-tier system

SEPARATE FINANCIAL STATEMENTS 31 DECEMBER 2018

Prepared in accordance with International Financial Reporting Standards as adopted by the EU

Translator's explanatory note: This is a free translation of the original Romanian financial statements of Tursim, Hoteluri, Restaurante Marea Neagră SA. In the event of any discrepancy between this translation and the original document, the original Romanian financial statements shall prevail.

TURISM, HOTELURI, RESTAURANTE MAREA NEAGRA SA
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED AT 31 DECEMBER 2018

(All amounts are presented in RON)

For the financial year ended at 31 December	Note	Row	(RON)	(RON)
			2018	2017
Continuing operations				
<i>Income from accommodation</i>	3	1	29,393,891	21,016,132
<i>Income from catering</i>	3	2	13,932,309	10,128,015
<i>Rental income</i>	3	3	1,413,225	876,151
<i>Other income included in turnover</i>	3	4	1,676,723	2,399,878
<i>Income from disposals of tangibles and non-current assets held for sale</i>	4	5	14,673,559	1,382,160
<i>Other income</i>	3	6	1,869,674	2,795,169
<i>Changes in stock</i>	3	7	0	0
Total Operational Income		8	62,959,380	38,597,505
<i>Expenses related to inventories</i>	6	9	7,501,716	6,139,255
<i>Utility expenses</i>	6	10	2,752,571	2,260,544
<i>Employee benefits expense</i>	5	11	12,463,395	11,084,218
<i>Depreciation and amortization expenses</i>	6	12	6,714,282	6,820,711
<i>Expenses related to disposed fixed assets and assets held for sale</i>	6	13	7,257,886	712,351
<i>Other taxes</i>	6	14	4,362,672	3,252,799
<i>Expenses related to external services</i>	6	15	7,284,270	5,173,292
<i>Other expenses</i>	6	16	1,398,806	1,289,070
Total Operational expenses		17	49,735,600	36,732,240
The result of operational activities		18	13,223,780	1,865,265
<i>Financial income</i>		19	585,376	460,791
<i>Financial expenses</i>		20	(2,506,100)	113,124

TURISM, HOTELURI, RESTAURANTE MAREA NEAGRA SA
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED AT 31 DECEMBER 2018

(All amounts are presented in RON)

For the financial year ended at 31 December	Note	Row	(RON)	(RON)
			2018	2017
Net financial result		21	1,920,723	347,667
Result before taxation		22	11,303,056	2,212,932

<i>Current income tax expense</i>		23	930,777	0
<i>Specific activity tax expense</i>		24	439,630	293,512
<i>Deferred income tax expenses</i>	7	25	109,434	227,584
<i>Deferred income tax income</i>		26	0	0
Result for continuing operations		27	9,823,215	1,691,836

Other comprehensive income				
<i>Increase/(decrease) of revaluation surplus</i>		27	(2,321,427)	(485,555)
<i>Tax related to other comprehensive income</i>	7	28	(88,811)	(38,457)
Other comprehensive income after taxation		29	(2,410,238)	(524,012)

Total comprehensive income for the period		30	7,412,977	(1,167,824)
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Earnings per share (RON/share)	0.016967	0.0029
Diluted earnings per share (RON/share)	0.016967	0.0029

The separate financial statements were approved by the Board of Directors on March 14, 2019 and were signed by the:

CHAIRMAN OF THE BOARD OF DIRECTORS
NARCISA MOSOIU

CHIEF FINANCIAL OFFICER
MIRCEA CRISTIAN

TURISM, HOTELURI, RESTAURANTE MAREA NEAGRA SA
STATEMENT OF FINANCIAL POSITION

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

(All amounts are presented in RON)

As at 31 December	Note	Row	(RON)	(RON)
			2018	2017
Assets				
Non-current assets				
<i>Tangible assets</i>		<i>1</i>		
Freehold land and land improvements	8	2	58,591,430	59,734,338
Buildings	8	3	103,226,016	107,021,706
Plant and machinery, motor vehicles	8	4	5,255,180	6,648,614
Fixtures and fittings [...]	8	5	8,847,100	9,499,841
Tangible assets in progress	8	6	1,458,471	991,285
<i>Intangible assets</i>		<i>7</i>		
Concessions, patents , licenses, trademarks , similar rights and assets		8	149,753	294,955
Other intangible assets	9	9	200,605	101,498
Intangible assets in progress		10	0	0
Trade receivables and other receivables		11	465,208	453,572
Investment property	8,10	12	16,065,300	17,191,112
Booked investments through equity		13	0	0
Financial assets	11	14	2,000	2,434,010
Deferred tax assets	7	15	951,078	951,078
Total fixed assets		16	195,212,141	205,322,009

TURISM, HOTELURI, RESTAURANTE MAREA NEAGRA SA

STATEMENT OF FINANCIAL POSITION

FOR THE FINANCIAL YEAR ENDED AT 31 DECEMBER 2018

(All amounts are presented in RON)

As at 31 December	Note	Row	(RON)	(RON)
			2018	2017

Current Assets				
Inventories	12	17	294,185	442,128
Financial assets	11	18	0	0
Current tax assets		19	0	0
Trade receivables and other receivables	13	20	2,558,816	4,868,821
Accrued expenses	14	21	895,292	782,016
Cash and cash equivalents	15	22	27,411,276	4,439,143
Non-current assets held for sale	16	23	37,666,185	36,516,013
Total Current Assets		24	68,825,754	47,048,121

Total Assets			25	264,037,895	252,370,130
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Equity				
Share capital	17	26	57,894,994	57,894,994
Capital adjustment following adoption of IAS 29 for the first time	17	27	85,945,333	85,945,333
Share premium	18	28	1,895,855	1,895,855
Reserves	18	29	24,201,711	22,894,846
Reserves from the application of IAS 29	18	30	16,745,901	16,745,901
Revaluation differences	18	31	105,189,642	107,511,069
Result for the period	19	32	9,823,215	1,691,836
Retained earnings except retained earnings from the adoption of IAS 29 for the first time	19	33	54,909,087	52,587,660
Retained earnings came following the application of IAS 29 for the first time	19	34	(102,691,275)	(102,691,275)

TURISM, HOTELURI, RESTAURANTE MAREA NEAGRA SA

STATEMENT OF FINANCIAL POSITION

FOR THE FINANCIAL YEAR ENDED AT 31 DECEMBER 2018

(All amounts are presented in RON)

31 December	Note	Row	(RON)	(RON)
			2018	2017
<i>Other elements of equity</i>	20	35	(13,056,538)	(12,690,844)
Total Equity		36	240,857,925	231,785,375
Liabilities				
Long-term liabilities				
<i>Long-term loans</i>		37	0	1,600,000
<i>Trade payables and other liabilities, including derivatives</i>	21	38	65,160	39,735
<i>Provisions</i>	22	39	744,059	409,128
<i>Deferred tax liabilities</i>	7	40	13,181,121	13,160,498
Total Long-term liabilities		41	13,990,340	15,209,362
Current liabilities				
<i>Short-term loans</i>	21	42	0	800,000
<i>Trade payables and other debts, including derivatives</i>	21	43	8,942,597	4,550,552
<i>Deferred income</i>	4	44	0	0
<i>Provisions</i>	22	45	247,034	24,841
<i>Deferred tax liabilities</i>		46	0	0
Total Current liabilities		47	9,189,631	5,375,392
Total Liabilities		48	23,179,970	20,584,754
Total Equity and Liabilities		49	264,037,895	252,370,130

CHAIRMAN OF THE BOARD OF DIRECTORS

NARCISA MOSOIU

CHIEF FINANCIAL OFFICER

MIRCEA CRISTIAN

TURISM, HOTELURI, RESTAURANTE MAREA NEAGRA SA

**STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018
(All amounts are presented in RON)**

THE SITUATION OF TOTAL EQUITY AT 31.12.2018											
Explanation	Share capital	Share capital adjustments IAS 29	Share premium account	Revaluation surplus	Reserve	Reserve adjustments IAS 29	Retained earnings except IAS 29	Retained earnings according IAS 29 first time adopted	Result for the period	Others equity	Total equity
Balance at January 1 2017	57,894,994	85,945,333	1,895,855	107,996,624	22,542,624	16,745,901	52,860,602	(102,691,275)	4,455,307	(12,895,772)	234,750,438
Reductions in output (sales, scraping, restitution)	0	0	0	(485,555)	0	0	485,555	0	0	0	0
Loss cancelation from previous years	0	0	0	0	0	0	(631)	0	0	0	(631)
Error corrections	0	0	0	0	0	0	(757,865)	0	0	0	(757,865)
Loss/ Net profit for the year	0	0	0	0	241,330	0	(4,455,307)	0	1,691,836	315,575	(2,206,566)
Transfer to reserves	0	0	0	0	110,647	0	4,455,307	0	(4,455,307)	(110,647)	0
Other comprehensive income	0	0	0	0	0	0	0	0	0	0	0
Changes in the fair value of financial investments held for sale	0	0	0	0	0	0	0	0	0	0	0
Revaluation surplus	0	0	0	0	0	0	0	0	0	0	0
Balance at 31 December 2017	57,894,994	85,945,333	1,895,855	107,511,069	22,894,846	16,745,901	52,587,661	(102,691,275)	1,691,836	(12,690,844)	231,785,375
Reductions in output (sales, scraping)	0	0	0	(2,321,427)	0	0	2,321,427	0	0	0	0
Loss cancelation from previous years	0	0	0	0	0	0	0	0	0	0	0
Error corrections	0	0	0	0	0	0	0	0	0	0	0
Loss/Net profit for the year	0	0	0	0	741,712	0	(1,982,287)	0	9,823,215	199,458	8,782,099
Transfer to reserves	0	0	0	0	565,153	0	1,982,287	0	(1,691,836)	(565,153)	290,451
Other comprehensive income	0	0	0	0	0	0	0	0	0	0	0
Change in fair value of financial investments held for sale	0	0	0	0	0	0	0	0	0	0	0
Revaluation surplus	0	0	0	0	0	0	0	0	0	0	0
Balance at 31 December 2018	57,894,994	85,945,333	1,895,855	105,189,642	24,201,711	16,745,901	54,909,088	(102,691,275)	9,823,215	(13,056,538)	240,857,924

The separate financial statements were approved by the Board of Directors on March 14, 2019 and were signed by the:

CHAIRMAN OF THE BOARD OF DIRECTORS
NARCISA MOSOIU

CHIEF FINANCIAL OFFICER
MIRCEA CRISTIAN

NOTES TO THE SEPARATE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED AT 31 DECEMBER 2018

(All amounts are presented in RON)

Explanation	Row	2018	2017
+/- Profit or Loss	1	9,823,215	1,691,836
+ Depreciation included in cost	2	6,714,282	6,820,711
- Changes in inventories (+/-)	3	1,002,229	25,333,249
- Changes in receivables (+/-)	4	(2,196,730)	(961,098)
+ Variation of suppliers and Advance payments from customers(+/-)	5	2,750,042	323,373
- Variation other asset items (+/-)	6	(2,420,374)	(13,157,858)
+ Variation in other liabilities (+/-)	7	3,369,259	6,224,096
= Cash flow from operating activities (A)	8	26,271,673	3,845,723
+ Disposals of tangible non-current assets	9	7,246,984	1,515,619
- Purchase of tangible non-current assets	10	7,307,062	3,818,831
= Cash flow from investing activities (B)	11	(60,077)	(2,303,212)
+ Loans variation (+/-), as:			
+short-term loans receivable	12	7,500,000	9,900,000
- refunds of short-term loans	13	7,500,000	9,900,000
+medium and long term loans receivable	14		0
-refunds of medium and long term loans	15	2,400,000	800,000
- Dividends paid	16	839,462	3,640,903
= Cash flow from financial activities (C)	17	(3,239,462)	(4,440,903)
+ Cash at beginning of the period	18	4,439,143	7,337,535
+ Net Cash Flow(A+B+C)	19	22,972,134	(2,898,392)
= Cash at end of the period	20	27,411,277	4,439,143

The separate financial statements were approved by the Board of Directors on March 14, 2019 and were signed by the:

CHAIRMAN OF THE BOARD OF DIRECTORS
NARCISA MOSOIU

CHIEF FINANCIAL OFFICER
MIRCEA CRISTIAN

NOTES TO THE SEPARATE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED AT 31 DECEMBER 2018

(All amounts are presented in RON)

NOTE 1 – REPORTING ENTITY

The present financial statements are separate financial statements, in accordance with IAS 27.4.

Turism, Hoteluri, Restaurante Marea Neagra S.A.(the "Company") is a company founded in 1991 that works in Romania in accordance with Law 31/1990 on companies and Law 297/2004 on the capital market.

Company name is Turism, Hoteluri, Restaurante Marea Neagra S.A. (abbreviated THR Marea Neagra S.A.). The company has the legal form of "joint stock company (JSC)" and is an entity with unlimited life.

The company is headquartered in Mangalia, Lavrion Street, no. 29, Zip code 905500

Contact details of the company are:

Telephone: 0241752452

Fax: 0241755559

Website: www.thrmareaneagra.ro

e-mail: thrmareaneagra@yahoo.com

Unique registration code in the Trade Register: 2980547

Fiscal registration code: RO 2980547

Number of Registered business: J 13/696/1991

According to the statute, the main activity of the Company is CAEN code: **5510 Hotels and other similar accommodation facilities.**

The company operates in Romania, being present on other geographic markets.

Regulated market where the issued securities are traded: Bucharest Stock Exchange (market symbol: EFO).

Subscribed and paid up share capital: 57,894,993.9 RON divided in 578,949,939 shares. In reporting the years there have been no changes in the number of shares. Of the total shares issued and outstanding at 31.12.2017:

- THR not hold shares redeemed;
- Subsidiary does not own shares.

The main characteristics of the securities issued by T.H.R.Marea Neagra S.A.: common, dematerialized, ordinary, indivisible and of equal value, issued at a nominal value of 0.10 RON / share.

Largest group in which the entity works as a subsidiary: **S.I.F. TRANSILVANIA S.A.**

The smallest group in which the entity works as a subsidiary: **S.I.F. TRANSILVANIA S.A.**

**NOTES TO THE SEPARATE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED AT 31 DECEMBER 2018**

(All amounts are presented in RON)

NOTE 1 – REPORTING ENTITY (CONTINUED)

Registered office of S.I.F. TRANSILVANIA S.A. is: Brasov, Nicolae Iorga Street, no.2, Brasov County.

Group's consolidated financial statements of SIF Transilvania SA can be obtained from the registered office.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied in preparing these separate financial statements in accordance with IFRS as adopted by EU, are presented below. These policies have been consistently applied to all financial years presented, unless otherwise stated.

2.1 Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by EU.

These financial statements are separate financial statements of the Company.

The accruals principle and the going concern principle have been applied when preparing these financial statements

The company has prepared the annual financial statements for the year ended 31 December 2017 in accordance with International Financial Reporting Standards as adopted by European Union, applicable to companies whose securities are admitted to trading on a regulated market, according to the Order of the Minister of Finance no. 881/2012 regarding the application of International Financial Reporting Standards by companies whose securities are admitted to trading on a regulated market and the Order of the Minister of Finance no. 2844/2016 approving the Accounting Regulations in accordance with International Financial Reporting Standards applicable to companies whose securities are admitted to trading on a regulated market, including subsequent amendments and additions.

The accounts of the Company are listed in RON, in accordance with IFRS as adopted by the European Union.

The financial statements have been authorized for issue by the Board of Directors on March 14, 2019.

In accordance with IAS 29 and IAS 21, the separate financial statements of an entity whose functional currency is the currency of a hyperinflationary economy should be presented in the current unit to the date of the financial statements, therefore non-monetary items should be restated using a general price index which was given at the date of acquisition or contribution. IAS 29 stipulates that an economy is considered hyperinflationary if, among other factors, the cumulative inflation exceeds 100% over a period of 3 years. In consequence, at 31.12.2015 the Company proceeded to reprocess the subscribed share capital according to IAS 29, by reconstructing the evolution of the subscribed share capital and the limitations from the registration until 2003 (mentioning the exact date and source) with the application of inflation index.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Presentation of Financial Statements

The separate financial statements are presented in accordance with IAS 1 "Presentation of Financial Statements". The Company has adopted a presentation based on assessing the nature and liquidity of assets in the statement of financial position and a statement of income and expenses according to their nature in the statement of comprehensive income, considering that these methods of presentation provides information that is more relevant than other methods that would have been permitted by IAS 1.

Basis of valuation

The separate financial statements are prepared using the cost method, except land and buildings which are revalued at fair value. Fair value method is applied, except for assets or liabilities for which the fair value cannot be determined reliably.

Valuation of assets and liabilities was made as:

- **Inventories** are valued at the lower value between cost and net realizable value.
- **Tangible assets** are measured initially at:
 - i) The acquisition cost, for those acquired for consideration;
 - ii) The input value, for those received as a contribution in kind to the establishment of share capital or increase of share capital;
 - iii) At fair value at the acquisition date, for those received as free of charge.For subsequent recognition, the Company has adopted the revaluation model.
- **Intangible assets** are initially measured at cost. After recognition, intangible assets are accounted based on the cost model, at cost less any accumulated depreciation and any accumulated impairment losses.
- **Investment properties (buildings and land)** are determined at the fair value by an independent evaluator by :
 - 1. determining replacement value;
 - 2. estimating accrued depreciation;
 - 3. determination of the remaining value of construction ;
 - 4. direct comparison method by reference to market prices in a similar and comparable in area.
- **Financial investments** are recognized at cost.
- **Non-current assets held for sale** are measured at the lower value of carrying amount and fair value less cost to sell.
- **Cash and cash equivalents** are presented in the balance sheet at cost.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of estimates and judgments

The preparation of financial statements in accordance with IFRS as adopted by the European Union involves the use of estimates, judgments and assumptions by management that affect the application of accounting policies as reported amounts of assets, liabilities, income and expenses. The estimates and assumptions associated with these estimates are based on historical experience and other factors considered reasonable in the context of these estimates. The results of these estimates form the basis of judgments about the carrying amounts of assets and liabilities that cannot be obtained from other sources of information. The results may differ from these estimates.

The estimates and underlying assumptions are reviewed periodically. Revisions of accounting estimates are recognized in the period in which the estimate is revised, if the revision affects only that period or in the period in which the estimate is revised and future periods if the revision affects both current period and future periods.

Changes in estimates, by their nature are not related to prior periods and are corrections of errors.

As an exception to the presentation of the effect of the change in estimate shown above, if such a change gives rise to changes in assets and liabilities or capital, the effect of this change will be presented through an adjustment of assets, liabilities or equity in the period in which the change has taken place.

Judgments made by management in applying IFRS that have a significant effect on the separate financial statements and estimates that involve a significant risk of a material misstatements in the next year are disclosed in Note 26.

2.2 General aspects of applied accounting policies

If a standard or an interpretation specifically applies to a transaction, other event or condition, accounting policies applied to that element, it is chosen by applying the standard or interpretation in question, considering any implementation guide issued by the IASB for the standard or interpretation in question.

The accounting policies are consistently applied to transactions, other events and similar conditions, except when a standard or an interpretation requires or permits the classification of categories, for which different policies may apply to the previous.

Changing an accounting policy is permitted only under the following conditions:

- This change is required by a standard or an interpretation;
- The change will provide reliable and relevant information about the effects of transactions, events and conditions.

Significant errors of previous periods found on the recognition, measurement, presentation or disclosure of elements of financial statements should be corrected retrospectively in the first set of financial statements that are authorized for issuance by:

- restating the comparative amounts for the period or prior periods in which the error occurred; or
- restating the opening balances of assets, liabilities and equity for the farthest period presented, if the error occurred before the farthest prior period presented.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Standards and interpretations available in the current period

Based on the provisions of each standard, the company has developed accounting policies in accordance. If the Standards provide alternatives solutions or exceptions, have been established policies opted for.

The company has applied starting from 2012, including 2018, the following International Financial Reporting Standards:

IAS 1	Presentation of financial statements	Fundamental Accounting Principles, structure and content of financial statements, mandatory posts and the concept of true and fair view, completed with amendments applicable from 1 January 2013.
IAS 2	Inventories	Defining of the accounting process applicable to inventories in the historical cost system: evaluation (first in - first out, weighted average cost and net realizable value) and the perimeter of allowed costs.
IAS 7	Statement of Cash Flows	Analysis of cash variations, classified into three categories: cash-flows from operating activities, cash-flows from investing activities, cash-flows from financing activities.
IAS 8	Accounting policies, Changes in Accounting Estimates and Errors	Defining the classification, the information that need to be disclosed and accounting treatment of certain items in the income statement.
IAS 10	Events after the reporting period	Requirements for when events after the end of the reporting period should generate an adjustment to the financial statements: definitions, terms and conditions, particular cases (dividends).
IAS 12	Income Taxes	Definition of tax accounting processing on the period result and detailed stipulations on deferred taxes, supplemented by amendments applicable from 1 January 2013.
IAS 16	Property, plant and equipment	Accounting treatments, net book value calculation and relevant principles regarding depreciation for most types of property, plant and equipment.
IAS 17	Leases	Defining lessee and lessor, accounting treatments regarding location-financing contracts and simple location contracts.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED AT 31 DECEMBER 2018

(All amounts are presented in RON)

IAS 18	Revenue	Revenue recognition principles for ordinary activities from certain types of transactions and events (fair value principle, the principle of linking expenditure to income, the percentage of advancement services, asset sharing, etc.).
IAS 19	Employee benefits	Accounting principles regarding employee benefits: short and long term benefits, post-employment benefits, advantages on equity and allowances on termination of employment, with revisions made in 2011, applicable from January 1, 2013.
IAS 20	Accounting for Government Grants and Disclosure of Government Assistance	Accounting principles for direct or indirect public aid (clear identification, concept of fair value, restraining subsidized connection etc.).
IAS 21	The Effects of changes in Foreign Exchange Rates	Accounting treatments of abroad activities, foreign currency transactions and restarting financial statements of a foreign entity.
IAS 23	Borrowing Costs	The definition of borrowing costs and accounting treatments: the notion of qualifying asset, how to incorporate borrowing costs in the amount of qualified assets.
IAS 24	Related Party Disclosures	Details of related party relationships and transactions (legal and natural persons) who exercises control or significant influence over one of the group's companies or the management.
IAS 26	Accounting and Reporting by Retirement Benefit Plans	Principles and information on the retirement schemes (funds), distinguishing defined contribution schemes and defined-benefit.
IAS 27	Separate Financial Statements	The principles on the presentation of the consolidated accounts, defining the obligation of consolidation and the control notion, the convergence of accounting regulations inside the group, other principles;

NOTES TO THE SEPARATE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED AT 31 DECEMBER 2018

(All amounts are presented in RON)

IAS 28	Investments in Associates	<p>Defining the evaluation and information principles regarding investments in associates, except those held by:</p> <ul style="list-style-type: none"> a) Venture capital organizations b) Mutual funds, unit trusts and similar entities, including insurance funds with an investment component which are considered to be at their fair value through profit or loss or classified as held for trading and accounted in accordance to IAS 39. Financial instruments: recognition and evaluation. This kind of investment must be evaluate at their true value according to IAS 39, with the right modifications of the value seen in profit or loss during the modifications.
IAS 29	Financial Reporting in Hyperinflationary Economies	The reconstruction of the equity and reserves.
IAS 31	Interests in Joint Ventures	Accounting principles and policies to joint venture operations performed, assets or holdings in a joint venture.
IAS 32	Financial instruments: presentation	Rules of presentation (classification of debt equity, expenses or income / equity).
IAS 33	Earnings per Share	Principles of determination and representation of earnings per share.
IAS 36	Impairment of Assets	Key definitions (recoverable amount, fair value less costs of disposal, value in use, cash-generating units), the frequency of impairment test, accounting for the impairment, for goodwill impairment.
IAS 37	Provisions, Contingent Liabilities and Contingent Assets	Defining provisions and approach of estimating provisions, individual cases examined (including the problem of restructuring).
IAS 38	Intangible Assets	Definition and accounting treatments for intangible assets, recognition and measurement policies on the processing costs for research and development etc.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED AT 31 DECEMBER 2018

(All amounts are presented in RON)

IAS 39	Financial Instruments: Recognition and Measurement	Recognition and measurement principles regarding financial assets and liabilities, the definition of derivatives, hedge accounting operations, the issue of fair value etc.
IAS 40	Investment Property	Establishing the evaluation method: fair value model or cost model, transfers between different categories of assets etc.
IFRS 1	First-time Adoption of International Financial Reporting Standards	The procedures for financial statements according to IAS / IFRS optional exemptions and mandatory exceptions to retrospective application of IAS / IFRS, supplemented by amendments applicable from 1 January 2013.
IFRS 5	Non-current Assets Held for Sale and Discontinued Operation	Defining an asset held for sale and discontinued operations, and the evaluation of these elements.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED AT 31 DECEMBER 2018

(All amounts are presented in RON)

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

IFRS 7	Financial Information: Disclosures	Financial information related to financial instruments are referring primarily to: (i) information about the significance of financial instruments; and (ii) information about the nature and extent of risks arising from financial instruments, supplemented by amendments applicable from 1 January 2013.
IFRS 9	Financial instruments	The Standard includes requirements for recognition and measurement, impairment, derecognition and general hedge accounting. The version of IFRS 9 issued in 2014 supersedes all previous versions and is mandatorily effective for periods beginning on or after 1 January 2018 with early adoption permitted (subject to local endorsement requirements)
IFRS 10	Consolidated Financial Statements	Establishing principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities.
IFRS 11	Joint Arrangements	Establishing principles for financial reporting for entities that hold interests in jointly controlled commitments.
IFRS 12	Disclosure of Interests in Other Entities	Requires an entity to disclose information that will enable users of its financial statements to evaluate: the nature and risks associated with interests held in other entities; and the effects of those interests on the financial position, financial performance and its cash flows.
IFRS 13	Fair value measurement	The definition of fair value, establishing, in a single IFRS, a framework for measuring fair value, requiring the presentation of information on fair value.
IFRS 15	Revenue from customer contracts	IFRS 15 specifies how and when an IFRS reporter will recognise revenue as well as requiring such entities to provide users of financial statements with more informative, relevant disclosures. The standard provides a single, principles based five-step model to be applied to all contracts with customers. IFRS 15 was issued in May 2014 and applies to an annual reporting period beginning on or after 1 January 2018. On 12 April 2016, clarifying amendments were issued that have the same effective date as the standard itself.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3.1 Foreign currency translation

Presentation currency and functional currency

The financial statements are presented in RON, rounded to the nearest RON, which is the reference currency, RON is both functional currency and presentation currency.

Transactions and balances

Transactions in foreign currency are recorded in RON at the official exchange rate at the date of settlement of transactions, Monetary assets and liabilities in foreign currencies at the balance sheet date are translated to the functional currency at the exchange rate at the day,

The exchange rates of major foreign currencies were:

	31 December 2018	31 December 2017
EUR	4.6639	4.6597
USD	4.0736	3.8915

Operations in foreign currencies are recorded in accounting in both currencies, foreign exchange and RON. Apply these accounting policies:

- conversion transactions in a foreign currency to the functional currency (RON) is performed based on the exchange rate in effect at the time the transactions occur;
- cash and cash equivalents, receivables and liabilities recorded in a currency other than RON existing liabilities at the end of a financial year, are valued at the exchange rate announced by the central bank for the last banking day of the year.

Gains and losses resulting from the settlement of transactions in a foreign currency and the conversion of monetary assets and liabilities denominated in foreign currencies are recognized in profit or loss in financial result.

The conversion differences related to non-cash items such as equity securities are reported as:

- As part of the gain or loss from the adjustment to fair value if the shares held for trading;
- Included in equity in value reserve at fair value in case of units held for sale.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3.2 Property, plant and equipment

Measurement at recognition

An item of property, plant and equipment that qualifies for recognition as an asset, is measured at cost.

Tangible assets are initially measured at cost (those acquired for consideration), or at the input value (those received as a contribution in kind to the establishment of share capital or increase of share capital), respectively at fair value at acquisition date (those received as free of charge).

Evaluation after recognition

For subsequent recognition, the Company has adopted the revaluation model.

The value of the revalued asset is its fair value at the date of revaluation. Revaluations shall be made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the balance sheet date. Revaluations are performed by independent appraisers certified by ANEVAR.

Revalued amount (in addition) substitutes the acquisition cost.

If a revaluation results in an increase in value, it should be credited to other comprehensive income and accumulated in equity under the heading "revaluation surplus" unless it represents the reversal of a revaluation decrease of the same asset previously recognized as an expense, in which case it should be recognized in profit or loss. [IAS 16,39]

A decrease arising as a result of a revaluation should be recognized as an expense to the extent that it exceeds any amount previously credited to the revaluation surplus relating to the same asset. [IAS 16,40]

The revaluation surplus included in equity in respect of an item of property and equipment is transferred directly to retained earnings when the asset is derecognized. It involves the transfer of the entire surplus when the asset is retired or disposed of. Transfers from revaluation surplus to retained earnings is not made through profit or loss.

Amounts paid or payable, generated daily repairs and maintenance of tangible assets are recorded at cost-owned company under accrual accounting properly influencing the income statement for the period.

Amounts paid or payable generated by operations leading to increasing the value and / or the life, property and equipment owned by upgrading or those operations that lead to a significant improvement of the technical parameters, the growth potential of generating benefits economical by them, is capitalized (properly increase the carrying value of the respective assets).

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Depreciation

Depreciation charges for each period are recognized in profit or loss unless they are included in the carrying amount of another asset.

Depreciation is calculated at book value (acquisition cost or revalued amount), less the residual value, using the straight-line method, over the estimated useful life of the assets. The depreciation is charged monthly to the statement of other comprehensive income. Depreciation of an asset begins when it is available for use, when it is in the location and condition necessary for it to function in the manner intended by management. Depreciation of an asset ceases at the earlier of the date the asset is classified as held for sale (or included in a disposal group that is classified as held for sale) in accordance with IFRS 5 and the date when the asset is derecognized. Therefore, depreciation does not cease when the asset is used or is retired from active use unless the asset is fully depreciated.

When registering revaluations, accumulated depreciation is eliminated.

The residual value and useful life of an asset shall be reviewed at least at each financial year-end. If expectations differ from previous estimates, the change(s) shall be accounted for as a change in an accounting estimate in accordance with IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*.

Land is not depreciated.

Depreciation of other tangible assets is calculated using the straight-line method, allocating costs related to the residual value according to the corresponding life

	Years	
	<u>2018</u>	<u>2017</u>
Buildings	50	50
Other equipment, furniture and other changes	as far as 12	as far as 12
Vehicles	as far as 14	as far as 14

Impairment of tangible assets

An asset is impaired when its carrying amount exceeds its recoverable amount.

At each reporting date, the entity should check if there are indicators of impairment of assets. If such indicators are identified, the entity shall estimate the recoverable amount of the asset.

If the carrying amount of an asset is decreased as a result of a revaluation, the decrease is recognized in the profit or loss. However, the reduction is recognized in other comprehensive income to the extent that the revaluation surplus shows a credit balance for the asset. Reduction recognized in other comprehensive income reduces the amount accumulated in equity under the heading of revaluation surplus.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Derecognition

The carrying amount of a fixed asset shall be derecognized:

- (a) when disposed, or
- (b) When no future economic benefits are expected from its use or disposal.

The gain or loss arising from the derecognition of a fixed asset shall be included in profit or loss when the item is derecognized.

Gains shall not be classified as revenue.

2.3.3 Intangible assets

Recognition and measurement

In recognition of an asset as an intangible asset the entity must demonstrate that the item meets the following:

The definition of an intangible asset. An intangible asset is separable, capable of being separated or divided from the entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, asset or liability; and arises from contractual rights or other legal rights, whether those rights are transferable or separable from the entity or from other rights and obligations.

Recognition criteria:

- it is probable that the expected future economic benefits attributable to the asset will flow to the entity; and
- the cost of the asset can be measured reliably.

An intangible asset shall be measured initially at cost. The cost of a separately acquired intangible asset comprises:

- its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates; and
- any directly attributable cost of preparing the asset for its intended use.

For intangible assets acquired free of charge or for symbolic consideration through a government grant, the entity recognizes the asset initially at nominal value plus any costs directly attributable to preparing the asset for its intended use.

Intangible assets according to generally accepted regulations cannot be acquired through exchange of assets, which are treated as separate deliveries.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recognition of expenses

Expenditure on an intangible item shall be recognized as an expense when it is incurred unless they are part of the cost of an intangible asset that meets the recognition criteria.

Expenditure on an intangible item that was initially recognized as an expense shall not be recognized as part of the cost of an intangible asset at a later date.

Evaluation after recognition

After recognition, an intangible asset is accounted for under the cost model, namely at its cost less any accumulated depreciation and any accumulated impairments.

Amortization

Computer software is amortized over a period between 1 year and 3 years, and licenses for the period of validity, using the straight-line depreciation method.

2.3.4 Cash and cash equivalents

Cash and cash equivalents are presented in the statement of financial position at cost. For the purpose of statement of cash-flows, cash and cash equivalents include petty cash, bank accounts, including deposits with a maturity of three months or less, cash in transit, other short-term financial investments with high liquidity with a maturity of three months or less and overdraft facilities.

2.3.5 Trade receivables

Trade receivables are categorized as financial assets.

A financial asset is recognized in the statement of financial position when, and only when the company becomes part of the certain contractual terms of the instrument.

Trade receivables are carried at original invoice amount less allowance (impairment test) recognized for doubtful receivables. The amount of the trade receivables allowance is calculated as difference between the carrying amount and the recoverable amount.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3.6 Financial assets and liabilities

Classification

The Company classifies financial instruments held in the following categories:

Financial assets and liabilities measured at fair value through profit and loss

This category includes financial assets or financial liabilities held for trading and financial instruments classified at fair value through profit or loss at initial recognition. A financial asset or liability is classified in this category if it was mainly purchased for speculative purposes or if it has been designated in this category by management.

Investments held-to-maturity

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments that an entity intends and is able to hold to maturity and that do not meet the definition of loans and receivables and are not designated on initial recognition as assets at fair value through profit or loss or as held for sale. Held-to-maturity investments are measured at amortized cost.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than held for trading or designated on initial recognition as assets at fair value through profit or loss or as held for sale.

Financial assets held for sale

Financial assets held for sale are any non-derivative financial assets designated on initial recognition as available for sale or any other instruments that are not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through profit or loss.

Financial assets held for sale are measured at fair value in the statement of financial position. Changes in the fair value of financial asset, other than gains or losses from exchange rate variations, are recognized in equity. When the asset is derecognized, the gain or loss is transferred to profit or loss.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recognition

Financial assets and liabilities are recognized at the settlement date, respectively at the date on which the financial instruments are sold or purchased. Financial assets and liabilities are initially measured at fair value, plus directly attributable transaction costs, except for investments in shares which fair value could not be determined reliably and which are initially recognized at cost.

Amortized cost measurement

Amortized cost of a financial asset or financial liability is the amount at which the financial asset or liability is measured at initial recognition minus principal payments, plus or minus the cumulative amortization of any difference between that initial amount and the maturity amount and minus any write down for impairment or uncollectability.

Fair value measurement

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Fair value measurement assumes a transaction taking place in the active market for the asset or liability. A financial instrument is traded on an active market, if quoted price are available quickly and regularly for that certain financial instrument. Financial assets available for sale for which there is not an active market and for which it is not possible to determine a fair value, are measured at cost and annually tested for impairments.

For all other financial instruments, fair value is determined using valuation techniques. Valuation techniques include techniques based on the net present value, discounted cash flow method, the method of comparison to similar instruments for which there is an observable market price and other evaluation methods.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Identification and measurement of impairment

Financial assets measured at amortized cost

An entity is required to assess at each balance sheet date whether there are any indicators of impairment. A financial asset or group of assets is impaired, only if there are indicators of impairments as a result of one or more events that occurred after the initial recognition of the asset ("loss generating event"), and these events have an impact of the future cash-flows generated from the asset or from the group of assets, which can be measured reliably.

If any such impairment indicators exist, the entity is required to perform a detailed impairment calculation to determine whether any impairment should be recognized or not. The impairment should be amounted to the difference between the asset's carrying amount and the net present value of estimated discounted cash flows using the initial effective interest rate.

If a financial asset measured at amortized cost has a variable interest rate, the discount rate for measuring any loss of damping is current variable interest rate, specified in the contract. The carrying amount of the asset is diminished by the use of an allowance account. Impairment losses are recognized in profit or loss.

In the subsequent period of an event occurring after the recognition of impairments will generate a decrease of the impairments previously recognized. The impairment loss is reversed either directly or by adjusting an allowance account. Reduction of the impairment loss is recognized in profit or loss.

Available-for-sale financial assets

The Company assesses at each balance sheet date whether there are indicators of impairment of the financial asset or group of financial. In the case of equity investments classified as available for sale, a significant or prolonged decline in the fair value of the share below its cost is considered to determine whether the assets are impaired or not.

If such indicators of impairment exist for the available-for-sale financial assets, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in profit or loss - is removed from other comprehensive income and is recognized in profit or

loss. Impairment losses recognized in the income statement and within equity instruments are not reversed through profit or loss. If, in a subsequent period, the amount fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the loss was recognized in profit or loss, the impairment loss is reversed through profit or loss.

Given the intrinsic limitations of the applied methodologies and significant uncertainty of the valuation of assets in international markets and local, the Company's estimates may be revised significantly after the date when the financial statements are authorized for issue.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Derecognition

The company derecognizes a financial asset when the rights to receive cash flows from the financial asset expire or when the Company has transferred its rights to receive the contractual cash flows attributable to the financial asset in a transaction in which it has substantially transferred all the risks and rewards of ownership.

Any interest in transferred financial assets retained by the Company or created for the Company is recognized as a separate financial asset or liability.

The Company derecognizes a financial liability when its contractual obligations have been completed or when its contractual obligations are canceled or expires.

2.3.7 Employee Benefits

The Company makes payments to pension funds, health funds, unemployment funds, allowances and vacations for all staff. All employees of the Company are members of the state pension plan. These expenses are recognized in profit or loss for the period covered.

The Company does not operate any other pension plan or retirement benefits so it has no other obligations in respect of pensions.

2.3.8 Income tax

Recognition of current tax assets and liabilities

The current tax liability for the reporting period and prior periods is recognized to the extent that it is not paid.

If the amounts paid in current period and in prior periods exceeds the amount due for those periods, the excess is recognized as current tax asset.

Benefits relating to a tax loss that can be transferred in order to recover income tax of a previous period is recognized as current tax asset.

Liabilities (or assets) for the current period income tax and prior periods are measured at the amount expected to be paid (recovered) to (by) the tax authorities, using the tax rates (and legislation) applicable at the balance sheet date.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recognition of deferred tax assets and liabilities

Tax liability is calculated by using the balance sheet method, based on the temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax is determined using tax rates (and laws), that have been enacted or substantially adopted at the balance sheet date and are expected to apply when the related deferred income tax is realized or the deferred income tax is settled.

The main temporary differences arise from the following operations:

- Application of tax incentives, consisting of additional deduction of 20% of the book value of assets, when the assets are available for use
- Application of accounting treatments different from the fiscal treatment regarding the recognition of investment properties
- The existence of settlement periods greater than one year
- Application of accounting treatments different from the fiscal treatment regarding the recognition of revaluation surplus
- Application of accounting treatments different from the fiscal treatment regarding the recognition of materials in the form of small inventory

Deferred tax arising from the fair value of non-current assets held for sale, which are directly credited or debited in equity will be subsequently recognized in profit or loss together with the deferred gain or loss.

Deferred tax assets are recognized to the extent that there is likelihood of future taxable profit of which can be recovered temporary difference.

A deferred tax asset must be recognized for all deductible temporary differences to the extent that it is probable taxable profit will be available against which the deductible temporary difference can be used, except the case when the deferred tax asset arises from the initial recognition of an asset or liability in a transaction that:

- i) is not a business combination;
- ii) at the time of the transaction, affects neither the accounting profit nor taxable profit (tax loss).

A deferred tax asset for the carried forward losses and unused tax credits will be recognized by the Company to the extent that it is probable to exist future taxable profits against which the losses and unused tax credits can be used.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3.9 Specific activity tax

Starting from January 1st 2017, THR Marea Neagra applied the provisions according to Law 170/ 2016 on the specific activities tax taking in consideration the principal activity corresponding to CAEN 5510 - " Hotels and other accommodation facilities',

2.3.10 Provisions

Provisions are liabilities of uncertain timing or amount.

Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made.

If the Company expects a partial or full reimbursement of the expenditure required to settle a provision (e.g. insurance contracts) it shall:

- a) recognize a reimbursement only if it is certain that it will take place if the company will fulfill its obligations and the amount recognized for a reimbursement will not exceed the provision;
- b) recognize the amount refunded as a separate asset. In statement of comprehensive income, expenditure related to a provision may be presented after the recognized amount of repayment was decreased.

Provisions shall be reviewed at the end of the reporting period and adjusted to reflect the current best estimate. If an outflow of resources embodying economic benefits is not probable, the provision must be reversed.

No provision is recognized for costs that are incurred for this activity in the future.

Company records provisions for onerous contracts in situations where the expected benefits to be derived from a contract are lower than the unavoidable costs associated with contractual obligations.

Provisions are recognized when the company has a legal or constructive obligation arising from past events, when it is necessary to settle the obligation that an outflow of resources embodying economic benefits and when the amount of the obligation can be measured reliably.

2.3.11 Recognition of income

Revenues of the Company are accounted for by their nature (operational, financial).

Revenue should be measured at the fair value of the consideration received or receivable. In the case of a financial transaction, the fair value is determined by discounting all future receipts, using a default interest rate, the difference from the book value being interest income. When the outcome of a transaction involving the rendering of services cannot be estimated reliably, the income should be recognized only to the extent of the expenses recognized that are recoverable.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The amounts collected on behalf of third parties such as sales taxes, goods and services taxes and value added taxes are not economic benefits for the entity and do not result in increases in equity. Therefore, they are excluded from income. Similarly, in the case of a Management Agreement, the gross inflows of economic benefits include amounts collected on behalf of the principal and which do not result in increases in equity for the entity. The amounts collected on behalf of the principal are not revenues, instead revenues are represented by commissions.

Revenues from rendered services are accounted as the services are rendered. The provided services include the execution of works and any other operations that cannot be considered as delivery of goods. The stage of completion of the work is determined based on the situation of works that accompany the invoices, records receptions or other evidence regarding the stage of completion and services reception. For recognition is required to exist the probability that the economic benefits associated with the transaction will flow to the company, the final stage of the transaction at the end of the period and the costs incurred for the transaction and those for completion of the transaction can be measured reliably.

Interest incomes are recognized using the effective interest method proportional to the relevant period of time, based on the principal and the effective rate over the period to maturity or shorter period if it binds transaction costs, it is established that the company will obtain such income. When unpaid interest has accrued before the acquisition of an interest-bearing investment, the subsequent receipt of interest is allocated between pre-acquisition and post-acquisition; only the post-acquisition portion is recognized as revenue.

Income from financial assets, respectively dividends receivable from entities in which the Company holds equity, are recognized in the financial statements of the Company in the financial year when they are approved by the General Meeting of each entity. The nominal value of shares that are received free of charge is also recorded as income from financial assets, as a result of direct incorporation of the profit for the last period in the equity of an entity in which shares are held.

Shares received free of charge after the issuer's share capital increases, increases made by incorporating the current year profit are accounted for as dividend income to the nominal value (cost), which were later recognized at fair value.

Income derived from the sale / disposal of investments held are recognized at the time when their ownership is transferred from the seller to the buyer, using settlement date accounting.

Revenues from sales of shares are recognized on a gross basis (transaction amount), and those resulting from transactions with short-term financial investments are recognized on a net basis (difference between the sales and cost).

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3.12 Dividend Payment

The company recorded obligation to pay dividends in the year in which the dividend distribution of profit is approved by the General Meeting of Shareholders.

2.3.13 Activity segments

The Company's management reviews the Company's overall activity (using statutory information). Information regarding business segments has not been obtained.

2.3.14 New international standards not applied by the Company

The entity does not apply some IFRS or new stipulations regarding IFRS issued, but not in effect at the date of the financial statements. The company cannot estimate the impact of applying these stipulations and intends to apply them when they come into force. Among the issued, but not adopted standards, the company will not face the situation to prospectively apply neither of them. These are:

- IFRS 17 "Insurance Contracts", issued on 18 May 2017, with effect from 1 January 2021.
- Annual Improvements to the IFRS Standards for the Period 2015-2017, issued on December 12, 2017, with effect from 1 January 2019.
- Amendments to IAS 19 "Change Planning, Reducing or Settlement Planning" appeared on 7 February 2018 with effect from 1 January 2019.
- Amendments to the conceptual framework references of the IFRS, issued on 29 March 2018 with effect from 1 January 2020.
- Amendments to IFRS "Business Combinations", issued on 22 October 2019, with effect from January 1, 2020
- Amendments to IAS 1 "Presentation of Financial Statements" and IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors," as of 31 October 2018, with effect from 1 January 2020. "

NOTES TO THE SEPARATE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED AT 31 DECEMBER 2018

(All amounts are presented in RON)

NOTE 3 – OPERATING INCOME, LESS INCOME FROM ASSET SALES

The main activity of the company is tourist accommodation services, catering and entertainment. In 2018, the company recorded next tourist traffic:

Day-tourist

Month	National House of Public Pension – Treatment	Agencies	On their own+online	Other beneficiaries	TOTAL
Conducted in 31 December 2018	109,664	261,094	29,297	35,284	435,339
Income and expenses budget(BVC) 2018	128,563	185,247	33,311	33,894	381,015
Differences from 2018/BVC 2018	(18,899)	75,847	(4,014)	1,390	54,324
Percentage achieved 2018/BVC 2018	85.30%	140.94%	87.95%	104.10%	114.26%
Conducted in 31 December 2018	128,563	189,201	32,152	32,619	382,535
Differences in 2018 from 2017	(18,899)	71,893	(2,855)	2,665	52,804
Percentage achieved from 2018/ achieved 2017					
Percentage BVC 2018/ achieved 2017	85.30%	138.00%	91.12%	108.17%	113.80%
Differences BVC 2018/ achieved 2017					
Share structure 2018	25.19%	59.97%	6.73%	8.10%	100.00%
Share structure 2017	33.61%	49.46%	8.40%	8.53%	100.00%

As it can be seen, in the year 2018 there was a tourist flow of 435,339 days-tourist, representing an increase compared to the budgeted indicator (381,015 days-tourist) by 14.26%, and an increase compared to the year 2017 (382,535 days -tourist) by 13.80%.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED AT 31 DECEMBER 2018

(All amounts are presented in RON)

NOTE 3 – OPERATING INCOME, LESS INCOME FROM ASSET SALES

Suitable the tourist traffic, the company recorded operating income following:

RON

Indicator	Financial year ended as at 31 December 2018	Financial year ended as at 31 December 2017	Index 2018 / 2017 (%)
Turnover, including	46,416,147	34,420,176	134.85%
<i>Income from accommodation</i>	29,393,891	21,016,132	139.86%
<i>Income from catering</i>	13,932,309	10,128,015	137.56%
<i>Rental income</i>	1,413,225	876,151	161.30%
<i>Other income included in turnover</i>	1,676,723	2,399,878	69.87%
Income from disposed fixed assets and non-current assets held for sale	14,673,559	1,382,160	1061.64%
Other income	1,869,674	2,795,169	66.89%
Total operational income	62,959,380	38,597,505	163.12%

NOTE 4 - INCOME FROM DISPOSAL OF FIXED ASSETS AND NON-CURRENT ASSETS HELD FOR SALE

RON

Explanation	Financial year ended as at 31 December 2018	Financial year ended as at 31 December 2017
Income from disposed fixed assets	12,546,918	0
Income from non-current assets held for sale	2,126,641	1,382,160
Income from disposal of fixed assets and non-current assets held for sale	14,673,559	1,382,160

Income from disposed fixed assets for 2018 are result of selling the following:

a) Income from disposed assets:

- a surface of 383 square meters in the Danube Holiday Village
- complex Lidia from Venus - hotel building + restaurant building + the adjoining terrain
- Flora villa in Eforie Nord - the building and the surrounding land

b) Income from assets held for sale:

- Carmen's Snack Bar in Eforie Nord
- hotel Riviera in Eforie Sud - building
- Saturn Building - building and the adjacent land

NOTES TO THE SEPARATE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED AT 31 DECEMBER 2018

(All amounts are presented in RON)

NOTE 5 - EMPLOYEE BENEFITS EXPENSES, INFORMATION REGARDING EMPLOYEES AND MEMBERS OF THE ADMINISTRATION BOARD AND MANAGEMENT

Employee benefits expenses are presented as follows:

RON

Explanation	Financial year ended as at 31 December 2018	Financial year ended as at 31 December 2017
Salaries	11,464,345	8,429,101
<i>Board of directors salary expenses (Supervisory Board starting from November, 2017)</i>	<i>958,340</i>	<i>782,225</i>
<i>Salary day laborer</i>	<i>187.272</i>	<i>0</i>
<i>Employees salary</i>	<i>10.318.733</i>	<i>7.646.876</i>
Social security contributions	762,697	2,392,813
Meal vouchers expenses	236,353	262,304
TOTAL	12,463,395	11,084,218

The Company has no contracted obligations to pay pensions to former members of the Board of Directors, management and oversight, and therefore has no accrual of such commitments.

The Company has not granted or granted credits or advances (except for wage advances and / or to cover delegation expenses) to members.

The Supervisory Board and the Executive Directors. Accounting does not account for commitments of this nature in the balance at the end of 2018.

Regarding the Human Resources in 2018, comparing to 2017 the evolution is as presented:

No.	Indicator	Number at 31.12.2018	Average number in 2018	Average number in 2016
A	Permanent staff. showing separately:	101	105	108
	a) TESA staff	34	35	36
	b) Operative staff	67	70	72
B	Seasonal staff	30	211	20
	Total staff	131	316	128
1	Administrators	6	6	6

The company has no obligations for pension plans, other than those provided by Law no. 263/2010 on the unitary pension system, as subsequently amended and supplemented.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS
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(All amounts are presented in RON)

NOTE 6 - OPERATIONAL EXPENSES (EXCEPT EMPLOYEE BENEFITS)

RON

No.	Operational Expenses	Financial year ended as at 31 December 2018	Financial year ended as at 31 December 2017
1	Expenses related to inventories:	7,501,716	6,139,255
1.1.	<i>Raw materials and consumables expenses</i>	2,506,894	2,285,996
1.2.	<i>Materials in form of small inventories and packaging expenses</i>	561,789	404,202
1.3.	<i>Merchandise expenses</i>	4,433,033	3,449,057
2	Utility expenses	2,752,571	2,260,544
3	Amortization/depreciation and impairment expenses of fixed assets	6,714,282	6,820,711
4	Expenses from disposed assets and non-current assets held for sale:	7,257,886	712,351
5	Other taxes, duties and similar expenses	4,362,672	3,252,799
6	External performance expenses	7,284,270	5,173,291
7	Other expenses	1,398,806	1,289,070
7.1.	<i>Evaluation loss expenses</i>	0	43,912
7.2.	<i>Provisioning expenses adjustments for assets depreciation</i>	1,277,813	1,191,170
7.3.	<i>Other expenses</i>	120,993	53,988
	Total operational expenses (except employee benefits)	37,272,205	25,648,022

NOTES TO THE SEPARATE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED AT 31 DECEMBER 2018

(All amounts are presented in RON)

NOTE 7 – SPECIFIC ACTIVITY TAX, CURRENT TAX AND DEFERRED TAX, EARNINGS PER SHARE (CONTINUED)

Starting from January 1st 2017, according to Law 170/ 2016 on the specific activities tax, the legal Romanian persons which on 31 December 2016 have simultaneously fulfill the conditions:

- They were entered in Articles of Association, as a principal or secondary activity one of the activities corresponding to CAEN 5510 - "Hotels and other accommodation facilities",

5520 - "facilities for accommodation for holidays and periods of short duration", 5530 - "Parks for caravans, camping and camps", 5590 - "Other accommodation services", 5610 - "Restaurants", 5621 - "Food services activities (catering) for events", 5629 - "Other food services activities", 5630 - "Bars and other a beverage serving activities";

- Which actually carries on activities in the areas referred to in the preceding subparagraph;

- Not in liquidation, according to the law, are liable to pay tax to specific activities.

The Company shall carry out their activities subject to specific activity tax (CAEN code 5510, 5610 and 5630) via:

- A number of 21 Hotel resort (hotel restaurant bar) with a capacity of the marketable production of 6,808 places of accommodation 4,952 places in restaurants and 674 seats in pubs/café;

- buffet with a capacity of 30 seats and a commercial area of 46 square meters.

According to the provisions of art. 5 paragraph 2 of the Methodological Norms for the application of Law no. 170/2016, the Company has calculated the specific tax for the period of the calendar year for which it carries out its activity, the period being set from the opening of the unit until the last day of its validity the operating license for the units in the district of Mangalia mayoralty, and for the ones within the radius of the municipality of Eforie, as no operating permits are issued for the hotel units, the entire period of the year was taken into account..

In table no.1 we present a summary of specific activity tax for 2017, in table no 2, 3, 4, the specific activity tax calculation on each resort, and in table no 5 the calculation for each hotel :

Table no.1

Nr. no	Indicators	TOTAL year 2018	Total complex hotelier (hotel+ restaurant + bar)	Total 4 stars	Total 3 stars	Total 2 stars	Total alimentație publică
1	Accommodation places	6,580	6,580	992	3,446	2,142	0
	number of places buffet – independent catering	30	0	0	0	0	30
2	Standard specific activity tax (k)	0	0	271	171	113	1,400
3	Specific activity tax /unit/ no. of days according to schedule of opening/closing in 2018 (RON)	439,629	429,591	154,895	158,277	116,420	10,038

NOTES TO THE SEPARATE FINANCIAL STATEMENTS
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(All amounts are presented in RON)

NOTE 7 – SPECIFIC ACTIVITY TAX, CURRENT TAX AND DEFERRED TAX, EARNINGS PER SHARE (CONTINUED)

Table no. 2

Nr. no	Indicators	Total 4 stars	4 stars		
			Complex Brad-Bran-Bega		Cleopatra
1	Accommodation places	992	146	292	554
2	Standard specific activity tax (k)		271	271	271
3	Number of working days according to the opening and closing schedule 2018		365	365	88
4	Specific activity tax /unit/ no. of days according to schedule of opening/closing in 2018 (RON)	154,895	39,566	79,132	36,197

TABLE no. 3

Nr. No	Indicators	Total 3 stars	3 stars							
			Hora	Balada	Sirena	Cerna	Raluca	Lidia	Narcis	Siret
1	Accommodation places	3,446	566	566	566	298	260	244	640	306
2	Standard specific activity tax (k)		171	171	171	171	171	171	171	171
3	Number of working days according to the opening and closing schedule 2017		131	93	100	91	71	90	88	100
4	Specific activity tax /unit/ no. of days according to schedule of opening/closing in 2017 (RON)	158,278	34,737	24,661	26,517	12,705	8,648	10,288	26,386	14,336

TABLE no. 4

Nr . No	Indicators	Total 2 stars									
			Prahova	Mures	Aida	Gloria	Capitol	Diana	Venus	Vraja Marii	Atena
1	Accommodation places	2,142	306	306	448	216	218	234	208	60	146
2	Standard specific activity tax (k)		113	113	113	113	113	113	113	113	113
3	Number of working days according to the opening and closing schedule 2017		81	78	78	94	365	365	365	365	64
4	Specific activity tax /unit/ no. of days according to schedule of opening/closing in 2017 (RON)	116,419	7,673	7,389	10,818	6,286	24,634	26,442	23,504	6,780	2,893
	Periode used for tax calculation		18 jun-07 sept	24 jun-10 sept	24 jun -10 sept	30 mai - 31 aug	01 jan - 31 dec	01 jan - 31 dec	01 jan - 31 dec	01 jan - 31 dec	29 jun -01-sept

NOTES TO THE SEPARATE FINANCIAL STATEMENTS
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(All amounts are presented in RON)

NOTE 7 – SPECIFIC ACTIVITY TAX, CURRENT TAX AND DEFERRED TAX, EARNINGS PER SHARE (CONTINUED)

TABLE no. 5

No.	Indicators/Coefficients	Total public services	Cold baths buffet
1	Number of places decreased	30	30
2	Standard tax value(k)	1,400	1,400
3	The variable according to the ranking of the locality(x)	5	5
4	The variable of the effective area of the location (y)	21	21
5	Seasonality coefficient(z)	0.3	0.3
6	Write-down coefficient for the technical area (q)	0.9	0.9
7	F=k*x*y*z*q(RO)	10,038	10,038

In accordance with the requirements of art.10 of Law 170/2016, related to specific activities tax for some activities taking into consideration that the entity derives revenues from other activities that aren't included in the corresponding CAEN codes subjected to the specific activity tax, applying for these activities the declaration and payment system of the tax profit provided by Law no. 227/2015 with subsequent amendments and supplements.

We present, the profit/gross loss broken down on the two types of activities subjected to tax and specific activity tax:

Indicators	Tax profit	Specific activity tax	Total
	31 december 2018	31 december 2018	31 december 2018
Total revenue	22,211,932	41,719,539	63,931,471
Total taxable revenues:	969,660	0	969,660
Dividends revenues	224,200	0	224,200
Other non-taxable revenue (revenue from cancellation of provisions disputes and revenue from evaluation of the fair value investments property)	745,460	0	745,460
<i>Revenue from cancellation of provisions</i>	<i>386,715</i>	<i>0</i>	<i>386,715</i>
<i>Revenue from fair value evaluation of investment property</i>	<i>358,745</i>	<i>0</i>	<i>358,745</i>
Similar revenue elements (tax dif. reeval assets 2017, reeval dif depreciation 2017, tax reeval dif scraped assets 2017.	1,215,682	73,079	1,288,761
<i>Reevaluation reserve for non-current assets sale in 2018</i>	<i>1,119,662</i>	<i>0</i>	<i>1,119,662</i>

NOTES TO THE SEPARATE FINANCIAL STATEMENTS
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(All amounts are presented in RON)

Indicators	Tax profit	Specific activity tax	Total
	31 december 2018	31 december 2018	31 december 2018
<i>Surplus from reevaluation reserve 2018</i>	78,321	58,284	136,605
<i>Reevaluation reserve for non-current assets disposal in 2018</i>	17,699	14,795	32,494
TOTAL TAXABLE ELEMENTS	22,457,954	41,792,618	64,250,572
Total expenses	21,714,865	32,393,391	54,108,256
Total non-deductible	5,275,043	1,146,103	6,421,146
Tax profit expense	930,777	0	930,777
Deffered tax expense	109,434	0	109,434
Specific activity tax expense	0	493,630	439,630
Fines and penalties	34,296	17,708	52,004
Sponsorship expense	3,120	5,880	9,000
Not deductible fiscal depreciation expense (fixed assets depreciation 20%, small inventory depreciation reclassified as fixed assets)	87,690	665,595	753,285
Variable allowance provision	0	0	0
Other provisions	4,096,538	0	4,096,538
Not deductible hospitality expenses (635C+6232).	6,828	15,538	22,366
Other not deductible expenses (acc. 612 SHMN)	6,360	1,752	8,112
Tax depreciation expense (fixed assets tax amortization facilit.20%, tax depreciation small inventories.reclasif.as fixed assets)	104,413	740,361	844,774
TOTAL DEDUCTIBLE EXPENSES	16,544,235	31,987,649	48,531,884
Gross profit	1,537,278	9,765,778	11,303,056
Accounting profit for the legal reserve (gross profit)	1,537,278	9,765,778	11,303,056
Legal reserve (5% x accounting profit for the legal reserve)	76,864	488,289	565,153
Taxable profit	5,836,855	0	5,836,855
Tax	933,897	0	933,897
Net profit	493,947	9,326,148	9,820,095
Income tax to be registred	933,897	0	933,897
Fiscal credit	3,120	0	3,120
Income tax due	930,777	0	930,777

NOTES TO THE SEPARATE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED AT 31 DECEMBER 2018

(All amounts are presented in RON)

Indicators	Tax profit	Specific activity tax	Total
	31 december 2018	31 december 2018	31 december 2018
Net profit available for distribution	497,067	9,326,148	9,823,215

For the establishment of the common expenses that have been taken into account in the determination of the outcome of the tax, the company has used the method of allocation in proportion to the share of revenue from the activities concerned in the total revenues achieved.

The deferred tax liability has been calculated by multiplying the taxable temporary difference with a 16% tax rate:

RON					
Year	Explanation	Total	Tax rate	Deferred tax assets/liabilities	Differences from previous year
2018	Temporary differences recognized in profit and loss	4,248,289	16%	679.726	635.070
	Temporary differences recognized in equity	78,078,570	16%	12.492.571	(88.812)
	Temporary differences recognized in retained earnings	0	16%	0	0
	Total Deferred income tax at 31.12.2018	82,326,859	16%	13.172.297	546.258
2017	Temporary differences recognized in profit and loss	2,421,023	16%	387,364	44,656
	Temporary differences recognized in equity	78,633,642	16%	12,581,383	(38,458)
	Temporary differences recognized in retained earnings	0	16%	0	(632)
	Total Deferred tax liability as at 31.12.2017	81,054,665	16%	12,968,747	5,566

NOTES TO THE SEPARATE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED AT 31 DECEMBER 2018

(All amounts are presented in RON)

NOTE 7 – SPECIFIC ACTIVITY TAX, CURRENT TAX AND DEFERRED TAX, EARNINGS PER SHARE (CONTINUED)

Earnings per share

The earnings per share is calculated by dividing the net profit attributable to the shareholders of the company for the financial year 2018 in the amount of 9,823,215 RON to the weighted average number of ordinary shares outstanding of 578,949,939 RON adjusted by the value of own shares held. Diluted earnings per share is determined by adjusting the net profit attributable to ordinary equity holders and the weighted average number of shares outstanding, adjusted by the amount of own shares held, with dilution effects of all ordinary potential shares.

Profit attributable to ordinary shareholders

RON

	31 December 2018	31 December 2017
Profit (loss) for the period	9,823,215	1,691,836
Profit (loss) for the period attributable to ordinary shareholders	9,823,215	1,691,836
Weighted average number of ordinary shares	578,949,939	578,949,939
Ordinary shares issued at 1 January	0	0
Effect of self-owned shares held	0	0
Weighted average number of ordinary shares at 31 December	578,949,939	578,949,939
Earnings per share (basic)	0.016967	0.0029
Profit attributable to ordinary shareholders (basic)	9,823,215	1,691,836
Convertible bonds interest expenses after tax	0	0
Profit attributable to ordinary shareholders (diluted)	9,823,215	1,691,836
Weighted average number of ordinary shares (diluted)	578,949,939	578,949,939
Weighted average number of ordinary shares (basic)	578,949,939	578,949,939
Effect of conversion of convertible bonds	0	0
Effect of share options issued	0	0
Weighted average number of ordinary shares (diluted) at 31 December	578,949,939	578,949,939
Earnings per share (diluted)	0.016967	0.0029

NOTES TO THE SEPARATE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED AT 31 DECEMBER 2018

(All amounts are presented in RON)

NOTE 8 - TANGIBLE NON-CURRENT ASSETS

RON

Description	Property	Plant	Equipment	Furniture and Fixtures	Work in progress	Total
0	1	2	3	4	5	6
Cost or assumed cost						
Balance at January 1. 2017	83,619,733	111,794,978	16,415,232	16,224,177	1,355,732	229,409,852
Acquisitions	0	3,395,036	11,276	10,622	4,247,447	7,664,381
Entries from assets reclassifications held for sale and real estate investments	547,563	1,019,144	9,515	14,252	0	1,590,474
Disposals of non-current assets	(163,976)	0	(16,852)	(2,350)	(4,611,894)	(4,795,072)
Outputs from the classification of tangible assets in assets held for sale	(24,264,864)	(2,852,666)	(13,771)	(1,573)	0	(27,132,874)
Balance at December 31. 2017	59,738,456	113,356,492	16,405,399	16,245,128	991,285	206,736,761
Balance at January 1. 2018	59,738,456	113,356,492	16,405,399	16,245,128	991,285	206,736,761
Acquisitions	0	5,059,156	254,558	836,506	7,119,974	12,767,626
Entries from assets reclassifications held for sale and real estate investments	0	50	0	0	0	50
Disposals of non-current assets	(1,142,908)	(5,888,245)	(179,334)	(36,497)	(6,652,788)	(13,397,204)
Balance at December 31. 2018	58,595,548	112,527,453	16,480,623	17,045,137	1,458,471	206,107,233
Amortization and impairment losses						
Balance at January 1. 2017	4,118	3,115,497	7,965,562	5,238,774	0	16,323,952
Period amortization	0	3,265,387	1,807,035	1,507,863	0	6,580,284
Amortization of non-current assets (reduction)	0	(46,098)	(15,813)	(1,349)	0	(63,260)
Balance at December 31. 2017	4,118	6,334,786	9,756,784	6,745,288	0	22,840,976
Balance at January 1. 2018	4,118	6,334,786	9,756,784	6,745,288	0	22,840,976
Period amortization	0	3,450,758	1,548,278	1,476,560	0	6,475,596
Amortization of non-current assets (reduction)	0	(484,108)	(79,620)	(23,810)	0	(587,538)
Balance at December 31. 2018	4,118	9,301,437	11,225,442	8,198,038	0	28,729,035
Balance at January 1. 2017	83,615,615	108,679,480	8,449,670	10,985,403	1,355,732	213,085,900
Balance at December 31. 2017	59,734,338	107,021,706	6,648,615	9,499,840	991,285	183,895,784
Balance at January 1. 2018	59,734,338	107,021,706	6,648,615	9,499,840	991,285	183,895,784
Balance at December 31. 2018	58,591,430	103,226,018	5,255,181	8,847,099	1,458,471	177,378,198

NOTES TO THE SEPARATE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED AT 31 DECEMBER 2018

(All amounts are presented in RON)

NOTE 8 - TANGIBLE NON-CURRENT ASSETS (CONTINUED)

The last revaluation of tangible assets (buildings and land) was performed on 31.12.2015. The Company proceeded to revaluation of tangible assets in the years: 1999, 2002, 2003, 2005, 2007, 2009, 2011, 2012.

Additional revaluation differences are reflected in accounting for other comprehensive income and accrued in equity as a revaluation surplus or the increase offsets a decrease from the previous revaluation of the same previously recognized asset in profit or loss in which case the increase is recognized directly into profit or loss.

Minus revaluation differences are recognized in profit or loss (unless the decrease compensates for a previous revaluation gain accumulated in equity as a revaluation surplus, in which case the decrease is recognized in other comprehensive income, decreasing the surplus from revaluation).

The revaluation differences existing in the balance at 31.12.2018 related to the assets in the patrimony are of 105,189,642 RON and can't be distributed to the shareholders.

The revaluation differences according to the nature of the fixed assets have the following composition:

Explicație	Financial year ended 31 December 2018	Financial year ended 31 December 2017
Land revaluation reserves	89,675,312	90,956,743
Construction revaluation reserves	12,663,454	13,658,937
Reserves from revaluation of other tangible assets	2,850,876	2,895,389
Total revaluation reserves	105,189,642	107,511,069

For tangible assets registered in the company's assets there were no changes in the method of determining the depreciation of tangible assets and no assets or parts of the expense expense on other expenses were reclassified.

For tangible non-current assets, the Company hasn't registered any life span changes, the determination of the amortization for the pledged assets hasn't changed as well and there was no reclassification for some parts of the expenses or the amortization on behalf of other expenses.

The company has signed a novation contract with Porsche Mobility SRL which takes over from Transilvania Hotels & Travel SA rights and obligations arising from operating leases of an Volkswagen car. The lease payments meaning leasing rates (rents). administration fees. management taxes. RCA. vignette etc. are recognized as expenses over the contract period.

Regarding tangible non-current assets, the company has no restrictions on the ownership title.

The company owns:

- all the presented assets,
- a total land area of **455,647.36** square meters, as:
 - 414,201.82 square meters based on ownership certificates issued by the Ministry of Tourism for: Saturn S.A., Venus S.A., Eforie Nord S.A., Eforie Sud S.A. and release and receipt protocol between Neptun - Olimp S.A. and Miorita Estival 2002 S.A.,
 - 17,278.70 square meters purchased from the City Hall Eforie North, under contracts of sale - buy,
 - 24,166.84 square meters following the exchange conducted with the City Hall Mangalia and Eforie North.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED AT 31 DECEMBER 2018

(All amounts are presented in RON)

NOTE 8 - TANGIBLE NON-CURRENT ASSETS (CONTINUED)

Pledged, mortgaged and restricted assets

On December 31, 2018, the Company has mortgages on the assets of Complex Hotel - Sirena Restaurant in Saturn and the related land in favor of BCR, the value of the guaranteed loan amounting to 7,500,000 lei, as at 31.12.2018 being unused.

No third party compensation for depreciated assets was recorded in this asset category.

Investments

In 2018, the Company made investments amounting to 8,626,767 RON (including VAT), which are presented in the table below:

No.	The investment objective	Value from which:	RON	
			Work	Equipments
1	Interior work, Furniture and carpets, Wood carpentry of wood- Hotel Diana	1,045,976	662,933	383,043
2	Kitchen extension, kitchen equipments, construction works, plumbing, painting, electrical installations- Restaurant Cerna	929,446	720,776	208,670
3	Carpet rooms and halls, furniture, mounted tiles 1880 sqm, painting, wood carpentry 450 sqm, modernization of electrical panels CT- Hotel Venus+CT	902,878	600,148	302,730
4	Underfloor heating systems, Chiller, Design, installation of boiler, electrification and automation- Hotel Sirena	621,288	621,288	0
5	Door rooms 1,2,8-13, carpets 1,2,8-13, Rehabilitation of electrical panels-Hotel Balada	618,077	618,077	0
6	Hygiene kitchen space, lounge and terrace modernization, carpentry replaced, self-service line fitting, partial kitchen area rehabilitation, sanitary rehabilitation small parter salon, self-service line- Restaurant Venus	586,215	507,929	78,286
7	Rehabilitation of facades- Hotel Raluca	294,996	294,996	0
8	Air conditioning installation, Intangible assets (licenses, works projects), electronic archive houses- Administrative office	288,839	14,278	274,560
9	Interior, exterior rehabilitation- Pool BBB, Raluca, Balada, Cleopatra	191,257	191,257	0
10	Clarvision's economic management system- Administrative office	170,925	170,925	0
11	Construction work, plumbing, painting, electrical installation- Hotel Bega	156,700	156,700	0
12	Preparation of ISU documentation- H.Cleopatra, R.Cleopatra, H. + R.Sirena, H + R.Lidia, H +	125,690	125,690	0

NOTES TO THE SEPARATE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED AT 31 DECEMBER 2018

(All amounts are presented in RON)

No.	The investment objective	Value from which:	Work	Equipments
	R.Narcis,complex BBB,			
13	Door halls access, anti-fire doors-Hotel Cleopatra	118,829	118,829	0
14	Fire scale- Hotel Aida	95,248	100,051	0
15	Modernization of electric panels, arrangement of 12 bathrooms- Hotel Capitol	100,051	95,248	0
16	Furnishing furniture, beach design- Beach Saturn	92,839	0	92,839
17	Waterproofing kitchen area, modernization of electrical panels- Restaurant Capitol	85,275	85,275	0
18	Modernization of electrical panels- Hotel Gloria	82,195	82,195	0
19	Rehabilitation of sanitary groups and underground facilities- Hotel Cerna	75,626	75,626	0
20	Modernization of electrical panels, rehabilitation of balconies, exterior painting- Hotel Vraja Marii	67,887	67,887	0
21	BITSOFT - Intangible Assets (Interfaces OPERA-Clarvision swi MC-Clarvision)- Administrative office	57,259	57,259	0
22	Kitchen equipments, fans- Restauratant Bega+Brad	53,304	46,494	6,810
23	Exterior extensions, kitchen equipments- Restaurant Balada	52,568	41,557	11,011
24	Rehabilitation (finishing work started in 2016)- Restaurant Narcis	23,614	23,614	0
25	Fitting locker rooms- Restaurant Aida	20,003	20,003	0
26	Repair of facade- Hotel Prahova	33,095	33,095	0
27	Construction work, plumbing, painting, electrical installation- Units of THR Marea Neagra	359,306	359,306	0
	TOTAL INVESTMENTS without VAT	7,249,384	5,891,436	1,357,948
	VAT	1,377,383		
	TOTAL INVESTMENTS including VAT	8,626,767		

NOTES TO THE SEPARATE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED AT 31 DECEMBER 2018

(All amounts are presented in RON)

NOTE 9 - INTANGIBLE ASSETS

	RON	
EXPLANATION	31 December 2018	31 December 2017
I) Book value of intangible assets:	2,531,556	2,340,658
Licenses + projects	1,733,992	1,668,784
Other intangible assets	797,564	671,874
II) Decreases (amortization):	2,181,198	1,944,206
Licenses + projects	1,584,239	1,373,829
Other intangible assets	596,959	570,377
III) Net book value	350,357	396,452
a) Licenses + projects	149,753	294,955
b) Other intangible assets	200,605	101,498

The increase is mainly due to the execution of compulsory works under ISU legislation in force (preparation of ISU approval reports, preparation of fire intervention plans), implementation of new interfaces between OPERA program, used in the receptions of hotels operated by THR Marea Black SA and the Clarvision accounting program, as well as the installation of some interfaces between the Materials Control program used in public catering establishments and the Clarvision accounting program.

All intangible assets have defined useful life, amortization method is linear in all cases for the useful life. According to the accounting policy adopted in the company, life duration is up to 20 years for concessions, patents, licenses and up to 5 years for other assets. Intangible assets are booked at their cost.

All intangible assets are pointed in their cost value.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED AT 31 DECEMBER 2018

(All amounts are presented in RON)

NOTE 10 – INVESTMENT PROPERTIES

Investment properties are measured at 31.12.2018 using the fair-value model and are disclosed as follows:

	RON	
Explanation	31 December 2018	31 December 2017
Complex Claudia (land+building)	0	1,484,529
Complex Minerva (land+building)	821,980	807,441
Complex Miorita (land+building)	7,883,371	7,819,118
Complex Semiramis (land+building)	6,247,559	5,968,634
Atelier Mecanic Saturn land	675,880	675,272
Semiramis beach buffet land	436,510	436,118
Total	16,065,300	17,191,112

Assets classified as investment properties were evaluated by independent evaluators (IPIEV Consulting) in a corporate member of ANEVAR. with certificate number 0250 - 01/01/2016. The company's headquarter is located in Bucuresti. Nicolae Grigorescu Bvd. nr. 29A. bl. N22. sc. B. et. 4. ap.53. sector 3. Its trade registration number is J40 / 10356/2001 and it is a corporate member of ANEVAR certified by nr. 0250/01.01.2016.

The approaches used in the evaluation were: cost approach - replacement cost method and income approach – discounted future cash-flow method.

Analyzing all estimated values according to the approach. in the present case. the selected property value is obtained by the cost approach. given the purpose of the assessment made.

For assets recognized as investment property there are leases signed. Rental incomes are recognized in the income statement and are presented in Note 4 - Income from operating activities.

The inputs used in measuring fair value techniques are classified by level 2, comprising inputs other than quoted prices included in Level 1 that are observable for the asset or liability in question, either directly or indirectly,

Level 2 Inputs include quoted prices in active markets for similar assets or liabilities, quoted prices in markets that are not active for identical or similar assets or liabilities, observable inputs other than quoted prices for the asset or liability and data input or results mainly in conjunction with observable market data by correlation or other means.

In the year 2018 the following assets have emerged through reclassification:

-Claudia Complex (building + land) being reclassified as an asset held for sale.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED AT 31 DECEMBER 2018

(All amounts are presented in RON)

NOTE 10 – INVESTMENT PROPERTIES (CONTINUED)

Fair value adjustments to assets classified as investment property in profit and loss account at 31.12.2018 after the evaluation from 31.12.2017 are:

RON

Explanation	31 December 2018			31 December 2017		
	Gains from fair value measurement of investment properties	Losses from fair value measurement of investment properties	Gains/Losses	Gains from fair value measurement of investment properties	Gains/losses from fair value measurement of investment properties	Gains/Losses
Complex Claudia (land+building)	0	0	0	108,475	0	108,475
Complex Minerva (land+building)	14,539	0	14,539	57,861	0	57,861
Complex Miorita (land+building)	64,253	0	64,253	703,336	0	703,336
Complex Semiramis (land+building)	278,925	0	278,925	180,202	0	180,202
Machine Shop Saturn – land	608	0	608	43,688	0	43,688
Semiramis beach buffet – land	392	0	392	49,738	0	49,738
Total	358,717	0	358,717	1,143,300	0	1,143,300

NOTES TO THE SEPARATE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED AT 31 DECEMBER 2018

(All amounts are presented in RON)

NOTE 11 – FINANCIAL ASSETS

Securities are recognized in the financial statements in accordance with IAS 27 (reviewed in 2010). IAS 36 (reviewed in 2009). IAS 39 (reviewed in 2009) and IFRS 7 (issued in 2008). According to these 4 standards, the company adopted the following policy for the recognition and valuation of shares and securities:

- investments in subsidiaries, jointly controlled entities and associates are recognized at cost,
- short-term investments held for sale unlisted on the stock exchange market are recorded at cost. For value depreciation, the company makes adjustments (the depreciation treatment for these securities is determined by IAS 39, paragraph 63) ,
- short-term investments held for sale listed, on the stock exchange market, are recorded at fair value (the value of trading on the last day of the year). In case of winnings or losses, they will be recognized in equity. If there are any indicators of impairment (as presented in paragraph 59 of IAS 39), as well as gains and losses from exchange rate differences, the loss of value is recognized in the period result.

RON

Other investment	31 December 2018			31 December 2017		
	Book value	Impairment	Net book value	Book value	Impairment	Net book value
Long-term investments						
Shares at Balneoterapia Saturn S.R.L	2,000	0	2,000	2,000	0	2,000
Shares at Transilvania Hotels&Travel S.A.	0	2,432,010	2,432,010	2,432,010	0	2,432,010
Long-term investments	2,000	2,432,010	2,434,010	2,434,010	0	2,434,010

Long term securities are recognized in the financial statements in accordance with IAS 27 Consolidated and Separate Financial Statements, at cost. Securities that fall into the first category consist of equity in Balneoterapia Saturn SRL and Transilvania Hotels&Travel SA being recognized at financial assets:

RON

Company	Share capital %	31 December 2018	31 December 2017
Balneoterapia Saturn S.R.L	100.000%	2,000	2,000
Transilvania Hotels&Travel SA	32.059%	2,432,010	2,432,010

Balneoterapia Saturn SRL has a share capital of 2,000 RON, comprising 20 shares and has the Registered office: Lavrion Street, no. 29. Mangalia, Constanta.

Transilvania Hotels&Travel SA has a share capital of 7,586,120 RON, comprising 3,034,448 shares with a nominal value of 2.5RON/share and has the registered office: Maria Rosetti Street, No. 35, branch 2, Bucuresti. The company has entered to insolvency since 2017.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED AT 31 DECEMBER 2018

(All amounts are presented in RON)

NOTE 12 – INVENTORIES

Inventories	RON			
	Book value (RON) at 31.12.2018	Adjustments for depreciation 31.12.2018	Balance at 31.12.2018	Book value (RON) at 31.12.2017
Raw materials	0	0	0	0
Materials (without price differences and VAT)	218,958	240,498	459,456	430,736
Inventories	40,597	10,021	50,619	2,618
Finished goods	0	0	0	0
Raw materials and consumables at third parties	0	0	0	0
Merchandise	29,398	0	29,398	4,153
Packaging materials	4,621	0	4,621	4,621
Advances for inventories acquisitions	612	0	612	0
Total	294,185	250,519	544,704	442,128

Stocks of materials are the nature of materials purchased for investment and repair work. Considering that some materials are very old and are not expected to be used in a very close time, they were adjusted in 2018 in the sense of depreciation with the amount of 212,215 RON.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED AT 31 DECEMBER 2018

(All amounts are presented in RON)

NOTE 13 – RECEIVABLES

Receivables are presented in the financial statements depending on the nature of them (trade receivables and other receivables) at the likely amount to be collected.

RON

No	Name	Receivables at 31.12.2018	Allowances at 31.12.2018	Net book value of receivables 31.12.2018	Net book value of receivables 31.12.2017	Variation of receivables 2018/2017 (%)
1	Trade receivables from which:	787,604	1,727,934	2,515,538	1,501,784	52.44%
	<i>Transilvania Hotels&Travel SA</i>	3,664	443,593	447,257	670,329	0.55%
2	Receivables from state budget	1,593,574	0	1,593,574	3,228,288	49.36%
3	Debtors active sales	0	0	0	0	
4	Sundry debtors	27,113	0	27,113	216	12,552.12%
5	Other receivables	150,526	0	150,526	138,533	108.66%
	Total	2,558,816	1,727,934	4,286,750	4,868,821	52.56%

The receivables of the company, at 31.12.2018, recorded a decrease of 47.44% compared to the receivables recorded on 31.12.2017, and consist of:

- Trade receivables represented by tourist services and other services rendered by THR Black Sea to third parties, amounting to 2,515,538 RON which have been adjusted with the amount of 1,727,934 lei representing debts older than one year for the services rendered to Rugby Club Constanta, Mareea Comtur SRL, Transilvania Hotels & Travel SA, Romanian Boxing Federation, Sind Tour Operator, ACS Cuza Sport, Ager Construct and Remat Sud Mangalia;
- State budget receipts represented mainly by VAT to be recovered in the amount of 1,547,848.22 RON;
- Other receivables are represented mainly by the interest receivable at deposits with BCR in the amount of 46,049 RON, various attachments of ANAF which in January 2019 will extinguish from the debts of the company to the State Budget, BEJ attachments to be repaid at the beginning of 2019 .

Depending on their age, the book value of receivables is:

RON

No	Receivables	Total at 31.12.2018	Under 30 days	30-180 days	181-365 days	>1 year
1	Trade receivables from which:	2,515,538	75,224	678,199	32,520	1,729,595
	<i>Transilvania Hotels & Travel SA</i>	447,257	0	3,664	0	443,593
2	Receivables from state budget	1,593,574	8,743	562,204	514,963	507,664
3	Debtors active sales	0	0	0	0	0
4	Sundry debtors	27,113	10,913	10,805	5,245	149
5	Other receivables	150,526	88,767	29,608	108	32,042
	TOTAL	4,286,750	183,647	1,280,816	552,836	2,269,450

NOTES TO THE SEPARATE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED AT 31 DECEMBER 2018

(All amounts are presented in RON)

NOTE 14 - ACCRUED EXPENSES

	RON	
Accrued expenses	31 December 2018	31 December 2017
Inventory use	853,622	742,361
Exploitation of mineral resources annual tax	0	137
Vignette tax	230	184
Tax and local tax expenses	56	0
Insurance policies	41,384	39,334
Total accrued expenses	895,292	782,016

NOTE 15 - CASH AND CASH EQUIVALENTS

	RON	
Explanation	31 December 2018	31 December 2017
Bank accounts in RON	27,382,916	4,414,332
Bank account in foreign currencies	1,587	900
Petty cash in RON	24,465	18,308
Other values	2,308	5,603
Total	27,411,276	4,439,143

NOTES TO THE SEPARATE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED AT 31 DECEMBER 2018

(All amounts are presented in RON)

NOTE 16 –NON-CURRENT ASSETS HELD FOR SALE

							RON
NO	Category	Book value of non-current assets held for sale in 2018	Book value of assets disposed or disposed through reclassification in 2018	Book value of non-current assets held for sale at 31.12.2018	Book value of non-current assets held for sale in 2017	Book value of non-current assets sold in 2017	Book value of non-current assets held for sale at 31.12.2017
1	Restaurant Minerva	239	0	149,672	149,433	0	149,433
2	Restaurant Sulina	1,353	0	89,705	88,351	0	88,351
3	Restaurant Dunarea	1,611	0	176,298	174,688	0	174,688
4	Complex Atena (hotel + restaurant)	11,059	0	1,322,520	1,311,461	0	1,311,461
5	Complex Tosca (Hotel + restaurant + buffet)	30,366	0	2,920,388	113,049	0	2,890,022
6	Stop on the tour Saturn	239	0	32,452	32,213	0	32,213
7	CP 3 Saturn	3,021	0	182,082	179,061	0	179,061
8	Restaurant Pelican	0	0	145,092	145,092	0	145,092
9	GG Jupiter	0	0	451,633	451,633	0	451,633
10	Bakery Saturn	0	19,035	0	19,035	0	19,035
11	Restaurant Mercur	0	0	0	4,110	117,790	0
12	Complex Venus (Hotel + restaurant)	0	0	0	0	1,010,910	0
13	Garden/restaurant Rapsodia	0	0	315,431	264,658	43,912	315,431
14	Hotel Ancora	0	0	258,532	0	0	258,532
15	Complex Capitol (Hotel + restaurant)	185,326	0	729,210	60,862	0	543,884
16	Hotel Gloria	82,195	0	567,435	43,414	0	485,240
17	Complex Magura (Hotel + restaurant)	0	0	1,526,033	32,881	0	1,526,033
18	Hotel Riviera	0	464,177	0	0	0	464,177
19	Hotel Meteor	0	0	246,812	246,812	0	246,812
20	CT Neon	0	0	0	75,334	205,370	0
21	Complex Claudia (Hotel + restaurant)	438,652	0	438,652	0	0	0
	TOTAL BUILDINGS	754,061	483,212	9,551,947	3,392,088	1,377,981	9,281,098

NOTES TO THE SEPARATE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED AT 31 DECEMBER 2018

(All amounts are presented in RON)

NO	Category	Book value of non-current assets held for sale in 2018	Book value of assets disposed or disposed through reclassification in 2018	Book value of non-current assets held for sale at 31.12.2018	Book value of non-current assets held for sale in 2017	Book value of non-current assets sold in 2017	Book value of non-current assets held for sale at 31.12.2017
1	Land Restaurant Minerva	0		1,813,760	1,813,760		1,813,760
2	Land Restaurant Sulina	0		1,458,496	1,458,496		1,458,496
3	Land Restaurant Dunarea	0		1,183,104	1,183,104		1,183,104
4	Land Complex Atena (hotel + restaurant)	0		1,251,952	1,251,952		1,251,952
5	Land Complex Tosca (Hotel + restaurant + buffet)	0	0	2,602,496	0	0	2,602,496
6	Land – stop on the tour Saturn	0		15,890,160	15,890,160		15,890,160
7	Land CP 3 Saturn	0		791,024	791,024		791,024
8	Land Restaurant Pelican	0		668,304	668,304		668,304
9	Land GG Jupiter	0		1,080,560	1,080,560		1,080,560
10	Land - Bakery Saturn	0	127,504	0	127,504		127,504
11	Land Restaurant Mercur	0	0	0	0	222,949	0
12	Land Complex Venus (Hotel + restaurant)	0	0	0	0	547,563	0
13	Land - Garden Rapsodia	0	0	233,022	0	0	233,022
14	Land - Hotel Sport	0	0	0	163,976	163,976	0
15	Land - Snack Bar Carmen	0	39,050	0	0	0	39,050
16	Land complex Cocorul acces way	0	0	95,483	0	0	95,483
17	Land complex Claudia	1,045,877	0	1,045,877	0	0	0
18	Land 383 sqm from Vacanta Dunarea village	79,664	79,664	0	0	0	0
	TOTAL LANDS	1,125,541	246,218	28,114,238	24,428,840	934,488	27,234,915
	TOTAL ASSETS HELD FOR SALE	1,879,602	729,430	37,666,185	27,820,928	2,312,469	36,516,013

NOTES TO THE SEPARATE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED AT 31 DECEMBER 2018

(All amounts are presented in RON)

NOTE 16 –NON-CURRENT ASSETS HELD FOR SALE (CONTINUED)

Non-current assets held for sale are stated at the lower value between the carrying amount and fair value less costs to sell. Any subsequent increase or decrease of value of these assets was recognized in profit or loss, based on a specialized evaluation. Profit from selling these non-current assets held for sale was recognized in profit and loss account as follows:

RON					
2018			2017		
Income from disposal of non-current assets held for sale	Expenses from disposal of non-current assets held for sale	Profit/Loss	Income from disposal of non-current assets held for sale	Expenses from disposal of non-current assets held for sale	Profit/Loss
14,673,559	(7,257,886)	7,415,673	1,382,160	(710,084)	672,076

Income from disposal of non-current assets held for sale were included on line 5 of the statement of profit or loss and other comprehensive income and disposal expenses of assets held for sale were presented in row 13 from the statement of comprehensive income.

Assets classified as held for sale were valued according to IFRS at 31.12.2018, the resulting amounts being greater than the amount recorded in the accounting. The bookkeeping of the assets held for sale was made at the carrying amount, at the lower value.

NOTE 17 - SHARE CAPITAL, OWNERSHIP STRUCTURE AND CHANGES IN SHARE CAPITAL

The subscribed and paid up share capital is amounted to 57,894,993.9 RON divided into a number of 578,949,939 shares. During the reporting periods subscribed and paid in share capital did not change.

Of the total number of shares issued and outstanding at December 31, 2018 and December 31. 2017:

- THR Marea Neagra SA does not hold redeemed shares,
- Its subsidiaries do not own shares (none of them is one of the shareholders of SIF Transilvania),

The main characteristics of the securities issued by T.H.R.Marea Neagra S.A.: common, nominative, of equal value and dematerialized shares issued at a nominal value of 0.10 RON / share.

During 2018 the share capital has not changed, the structure of shareholders at 31.12.2018 communicated from BVB website is as follows:

Shareholders' name	Percent(%)	Shares	Share capital amount(RON)
SIF Transilvania S.A.	77.7131%	449,920,140	44,992,014.00
Other corporate and individuals shareholders	22.2869%	129,029,799	12,902,979.90
TOTAL	100.0000%	578,949,939	57,894,993.90

NOTES TO THE SEPARATE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED AT 31 DECEMBER 2018

(All amounts are presented in RON)

NOTE 17 - SHARE CAPITAL, OWNERSHIP STRUCTURE AND CHANGES IN SHARE CAPITAL (CONTINUED)

The Company has no employee stock grant schemes and there are no restrictions on voting rights. It also has no knowledge of agreements between shareholders which may result in restrictions on the transfer of securities and / or voting rights.

THR Marea Neagră S.A. shares are listed on the second category of Bucharest Stock Exchange starting from 15 august 2002 with symbol "EFO". In the last trading day of 2018, 29.12.2018, the closing price of EFO was 0.0924 RON/share compared to 0.098 RON/share at 31.12.2017.

RON

Explanation	31 December 2018	31 December 2017
Revaluation surplus	105,189,642	107,511,069
Reserves	24,201,711	22,894,846
Reserves due to IAS29 application	16,745,901	16,745,901
Total reserve	146,137,254	147,151,816

The revaluation surplus refers to property and plant of the company and it was generated by the revaluations of tangible non-current assets in the years of 1999, 2002, 2003, 2005, 2007, 2009, 201, 2012 and 2015.

Revaluation differences were reduced in 2018 on account of assets sold, scrapped or returned and transferring it to retained earnings.

The reserves increased in 2018 on the distribution of the net profit of 2017 on other sources of financing (741,712 RON) and on the account of the distribution of the net profit of 2018 on the legal reserve (565,153 RON).

NOTE 19 - RETAINED EARNINGS

RON

Element name	31.12.2018	Increase	Decrease	31.12.2017
Retained earnings except retained earnings from the adoption of IAS 29 for the first time	54,909,087	2,750,802	5,072,229	52,587,660
Retained earnings representing non-distributed benefits	0	1,982,287	1,982,287	0
Retained earnings from correction of accounting errors from previous years	0	0	768,516	(768,516)
Surplus from revaluation reserves	54,909,087	768,516	2,321,427	53,356,176
Retained earnings from adoption of IFRS	0		0	0
Retained earnings came following the application of IAS 29 for the first time	(102,691,275)			(102,691,275)

NOTES TO THE SEPARATE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED AT 31 DECEMBER 2018

(All amounts are presented in RON)

NOTE 20 - OTHER ELEMENTS OF EQUITY

RON

Other elements of equity	31 December 2018	31 December 2017
Deferred tax recognized in equity	(12,491,385)	(12,580,197)
Profit distribution to legal reserve	(565,153)	(110,647)
Total other elements of equity	(13,056,538)	(12,690,844)

NOTE 21 - LIABILITIES. OTHERS THAN DEFERRED INCOME

RON

Short-term liabilities	Liabilities at 31.12.2018	Liabilities at 31.12.2018	under 30 days	30-90 days	91-180 days	181-270 days	between 270- 365 days	> 1 year
Short term loans	800,000	0	0	0	0	0	0	0.00%
Trade payables and other liabilities. including derivatives	4,550,552	8,942,597	5,123,048	1,878,227	54,241	8,324	1,878,758	196.52%
Advances collected for orders	709,062	2,317,080	71,533	372,833	0	0	1,872,714	326.78%
Trade payables	950,057	2,085,578	2,085,578	0	0	0	0	219.52%
Debts to the state budget	293,537	1,410,056	479,279	930,777	0	0	0	480.37%
Debt with the staff	341,500	415,230	415,230	0	0	0	0	121.59%
Other liabilities	2,256,398	2,714,654	2,071,428	574,617	54,241	8,324	6,044	120.31%
Total	5,350,552	8,942,597	5,123,048	1,878,227	54,241	8,324	1,878,758	167.13%

**NOTES TO THE SEPARATE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED AT 31 DECEMBER 2018**

(All amounts are presented in RON)

NOTE 21 - LIABILITIES. OTHERS THAN DEFERRED INCOME (CONTINUED)

Short-term payables as of December 31, 2018, less accrued income and provisions, increased by 67.13% over the same period last year, due to:

- advances amounting to 2.245.547 RON , collected for sales of Assets based on Active Selling Promises (Hotel Meteor, Hotel Ancora and Rhapsody Garden), advances that will be closed at the time of conclusion of the sale-purchase contracts;
- guaranties in the amount of 579,180 RON, collected for participation in active buying auctions (Claudia complex, CFR travel agency), which will close also at the moment of conclusion of the sale-purchase contracts;
- the profit tax calculated at 31.12.2018 in the amount of 930,777 RON;
- providers of service.

The situation of debts after their exigibility and their structure is presented in the following table:

Nr.crt.	Denumirea contului	Liabilities at 31.12.2018	under 30 days	30-90 days	91-180 days	181-270 days	between 270-365 days
1	COMMERCIAL LIABILITIES AND OTHER LIABILITIES	8,942,597	5,123,048	1,878,227	54,241	8,324	1,878,758
1.1.	Advance payments on the orders account	2,317,080	71,533	372,833	0	0	1,872,714
	Advance payments for active sales based on Sales-Buy Promises	2,245,547	0	372,833	0	0	1,872,714
	<i>Atinimul - Hotel Meteor</i>	<i>466,680</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>466,680</i>
	<i>Media Class - Hotel Ancora</i>	<i>1,170,764</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>1,170,764</i>
	<i>Star 95 SRL - Grădina/restaurant Rapsodia</i>	<i>608,103</i>	<i>0</i>	<i>372,833</i>	<i>0</i>	<i>0</i>	<i>235,270</i>
	Advance payments for tourist services	71,533	71,533	0	0	0	0
1.2.	COMMERCIAL LIABILITIES	2,085,578	2,085,578	0	0	0	0
	Suppliers	1,945,476	1,945,476	0	0	0	0
	Suppliers of non-current assets	76,793	76,793	0	0	0	0
	Suppliers – invoices to be recieved	63,310	63,310	0	0	0	0
1.3.	DEBT WITH STATE AND LOCAL BUDGET	1,410,056	479,279	930,777	0	0	0
	Social Security	194,630	194,630	0	0	0	0
	Work insurance contribution	11,771	11,771	0	0	0	0
	Current income tax	930,777	0	930,777			
	VAT under settlement	2,002	2,002	0	0	0	0
	Payroll tax	33,825	33,825	0	0	0	0
	Special funds	7,884	7,884	0	0	0	0
	<i>Disability fund</i>	<i>7,884</i>	<i>7,884</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>

NOTES TO THE SEPARATE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED AT 31 DECEMBER 2018

(All amounts are presented in RON)

Nr.crt.	Denumirea contului	Liabilities at 31.12.2018	under 30 days	30-90 days	91-180 days	181-270 days	between 270-365 days
	Other debts with the budget	229,167	229,167	0	0	0	0
	<i>Tax specific for the second semester 2018</i>	<i>221,167</i>	<i>221,167</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>
	<i>Other debts</i>	<i>8,000</i>	<i>8,000</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>
1.4.	DEBT WITH PERSONAL	415,230	415,230	0	0	0	0
	Collaborators	34,529	34,529	0	0	0	0
	Employees-salaries payable	123,602	123,602	0	0	0	0
	Other social benefits granted to employees	9,814	9,814	0	0	0	0
	Employees ' rights not claimed	2,387	2,387	0	0	0	0
	Retention from salaries payable to third parties	11,185	11,185	0	0	0	0
	<i>CAR</i>	<i>5,293</i>	<i>5,293</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>
	<i>Syndicate</i>	<i>1,575</i>	<i>1,575</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>
	<i>Deductions</i>	<i>818</i>	<i>818</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>
	<i>Food pension</i>	<i>3,499</i>	<i>3,499</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>
	Other debt related to staff	233,713	233,713	0	0	0	0
	<i>Personal transport</i>	<i>5,482</i>	<i>5,482</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>
	<i>Managers' guarantees</i>	<i>228,231</i>	<i>228,231</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>
1.5.	OTHER LIABILITIES	2,714,654	2,071,428	574,617	54,241	8,324	6,044
	Other loans and assimilated debts	402,794	331,043	3,142	54,241	8,324	6,044
	<i>Term guarantees at suppliers</i>	<i>239,779</i>	<i>168,028</i>	<i>3,142</i>	<i>54,241</i>	<i>8,324</i>	<i>6,044</i>
	<i>Guarantees received</i>	<i>163,015</i>	<i>163,015</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>
	Shareholder Dividends	455,866	455,866	0	0	0	0
	<i>gross dividends related to 2017</i>	<i>421,192</i>	<i>421,192</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>
	<i>net dividends from previous years</i>	<i>34,673</i>	<i>34,673</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>
	Total sundry creditors of which:	582,657	11,182	571,475	0	0	0
	Guaranteed active auctions	579,180	7,705	571,475	0	0	0
	<i>Const Media Services - Ag.Voiaj CFR</i>	<i>7,705</i>	<i>7,705</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>
	<i>Energoutil Contact - Complex Claudia</i>	<i>571,475</i>	<i>0</i>	<i>571,475</i>	<i>0</i>	<i>0</i>	<i>0</i>
	Sundry creditors	3,477	3,477	0	0	0	0
	Amounts to be clarified	1,273,337	1,273,337	0	0	0	0

NOTE 21 - LIABILITIES. OTHERS THAN DEFERRED INCOME

**NOTES TO THE SEPARATE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED AT 31 DECEMBER 2018**

(All amounts are presented in RON)

Depending on the moment of their exigibility, the long-term debts are grouped as follows:

Long-term liabilities	Liabilities at 31.12.2017	Liabilities at 31.12.2018	1-5 ani	> 5 ani
Long-term loans	1,600,000	0	0	0
Trade payables and other liabilities. including derivatives	39,735	65,160	65,160	0
Trade payables	0	0	0	0
Other liabilities	39,735	65,160	65,160	0
Deferred tax liabilities	13,160,498	13,181,121	13,181,121	0
Total	14,800,233	13,246,281	13,246,281	0

Long-term debts consist of performance guarantees provided by suppliers of non-current assets in the amount of 65,160 RON and deferred income tax.

NOTE 22 - PROVISIONS

The Company has not undertaken obligations for pension plans other than the one stated by Law no. 263/2010 on the unitary system of public pensions, with the subsequent updates. The collective labor agreement signed for 2018 stipulates a retirement bonus of a gross salary. For the retirement bonuses to be paid in 2018. the company estimated a provision.

At December 31 2018 the Company had established the following provisions:

- Provision for the amount of 6,000 RON representing court costs incurred in settling an earlier file owed to Balu Eugenia;
- provision for the amount of 577,125 RON representing claims for the improvement of the Flora villa during its exploitation by the Carja Vasile in the file no. 3093/118/2016;
- Provision for the amount of 9.000 RON representing claims worth the stolen belongings of the Domuța Maria by unknown authors (tourist accommodated at the Sirena Hotel) - File no.10133 / 296/2016;
- provision for the amount of 10,000 lei representing the refund of 10,000 paid by the applicant as a fine for contravention, payment of overtime, claims issued by Dumitrașcu Angela in the file no.3282 / 118/2018;
- provision for the amount of 22,413 RON representing additional indemnities for the use of phonograms due to the Union of Phonogram Producers;
- Provision for the amount of 78,000 RON representing taxes and accessories calculated additionally by Eforie City Hall;
- Provision for Unpaid Leave of 209,355 RON;
- Additional provision of employee retirement rights in the amount of 12,838 RON;

NOTES TO THE SEPARATE FINANCIAL STATEMENTS
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(All amounts are presented in RON)

NOTE 22 – PROVISIONS (CONTINUED)

- provision for the amount of 41,520 lei representing court fees, lawyers' fees from files 2639/118/2017 and 4847/212/2010, sum claimed by Mateevici Alexandru, Zellinger, Stoicovici and others in file 15314/212/2018.

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

RON				
Explanation	31.12.2018	Installing provisions in 2018	Cancelling provisions in 2018	31.12.2017
Provisions for litigations	744,058	721,645	386,715	409,128
Provisions for pensions	247,034	222,193	0	24,841
Total Provisions	991,092	943,838	386,715	433,969

NOTE 23 - RELATED PARTIES TRANSACTIONS

Compared to 2017, in the year 2018 were carried out transactions with related parties as set out in the tables below. Values presented include value added tax.

RON			
Receivables			
Related parties	Financial year ended at 31.dec.2018	Financial year ended at 31.dec .2017	
Transilvania Hotels&Travel SA	447,257	670,329	
Balneoterapia Saturn SRL	893	5,639	
TOTAL	448,150	675,968	

Liabilities			
Related parties	Financial year ended at 31.dec.2018	Financial year ended at 31.dec .2017	
Transilvania Hotels &Travel SA	615,735	223,683	
Balneoterapia Saturn SRL	1,142,491	359,004	
TOTAL	1,758,226	582,687	

NOTES TO THE SEPARATE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED AT 31 DECEMBER 2018

(All amounts are presented in RON)

NOTE 23 - RELATED PARTIES TRANSACTIONS (CONTINUED)

Sales		
Related parties	Financial year ended at 31.dec.2018	Financial year ended at 31.dec .2017
Transilvania Hotels & Travel SA	3,036,031	725,601
Balneoterapia Saturn SRL	505,927	453,656
TOTAL	3,541,958	1,179,257
Acquisitions		
Related parties	Financial year ended at 31.dec.2018	Financial year ended at 31.dec .2017
Transilvania Hotels and Travel SA	615,735	319,589
Balneoterapia Saturn SRL	2,078,753	1,810,914
TOTAL	2,694,489	2,130,503

According to IAS 24 "Related Party Disclosures" section, 17 specify that:

- outstanding balances by receivables and payables between related parties are related commercial transactions are conducted under terms and conditions similar terms and conditions which were accepted by third parties and are not guaranteed,
- we cannot provide additional information on guarantees given or received as it was not appropriate to represent,
- we made adjustments for the depreciation of the amount of 443,592.84 lei representing the receivable related to the outstanding balance of Transylvania Hotels & Travel SA, a company in insolvency, with which THR Marea Neagra SA registered at the creditor table in 2017.

NOTE 24 –CONTINGENT ASSETS AND CONTINGENT LIABILITIES

In all disputes THR undertook the necessary efforts to defend ownership. In some situations, there are some litigations that claim THR assets.

The company is involved in a litigation with the City Hall Mangalia therefore tax audit conducted by the 2008-2012 period, inspection completed by the tax inspection report nr.57355 / 11.10.2015 under which were issued two decisions to impose, in total amount of 7,604,311.45 RON.

The execution of those two decisions was suspended by the Court of Appeal Constanta - file nr.776 / 118/2015 and the suspension effects subsist until the settlement of the substantive judicial action that THR will promote and which will take the annulment of decisions to impose.

The company recognized and estimated that the amount due of 1.577.262 RON represents:

- tax additional buildings in the amount of 482,520 RON representing taxation of buildings without a reduction of 50% granted by Article 285 paragraph 2 of the Tax Code,
- additional land tax in the amount of 253,029 RON representing taxation without the 50% discount granted by Article 285 paragraph 2 of the Tax Code,
- penalties related to buildings and land tax established additional by monitoring body in the amount of 841,713 RON.

NOTE 24 –CONTINGENT ASSETS AND CONTINGENT LIABILITIES (CONTINUED)

For the difference between the amount of buildings and land tax additional established by the control body and that recognized by society, there was requested and received erratum in the evaluation reports prepared by Preciss CONSULTING SRL 31.12.2007. 31.12.2009. 31.12.2011 and 31.12 .2012 specifying that the fair value of the buildings included at the time of assessments the value of installations, functional facilities or modernizations made to the buildings referred to until the time of reassessment, which leads to the conclusion that there are additional risks to society.

NOTA 25 - SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS IN APPLYING ACCOUNTING POLICIES

Preparation of financial statements in accordance with IFRS has involved the use of the company's management to make judgments in applying accounting policies with implications carrying amount of assets and liabilities in the separate financial statements, such:

- Tangible assets were revalued periodically. The evaluation was done by certified evaluators, members of ANEVAR.
- The fair values are based on market values respectively estimated value for which an asset could be exchanged on the valuation date in a transaction made in objective conditions, after proper marketing action, interested parties that are in full knowledge of the facts. In the absence of current prices in an active market, valuations are prepared by taking into account the aggregate amount of cash flows that could be estimated from the sale of the asset. To the annual net cash flows it is applied a rate of return that reflects the specific inherent risks in order to establish the fair value of the assets.
- Assets carried at cost are evaluated for impairment in accordance with the accounting policies of the Company. The assessment for allowance of receivables is made individually and is based on management's best estimate of the present value of the cash flows expected to be received. To estimate these cash flows, the management makes certain estimates on the financial statements of the counterparty. Each impaired asset is individually analyzed. Provisions accuracy depends on the estimation of future cash flows for specific counterparties. The amounts of provisions were estimated taking into account the chances of winning of the pending files to the competent courts. Because chances of winning results from the evaluation of the legal department grew, the company would have to reduce its provisions made for these claims. However, the company management considered it is not prudent to reverse provisions, and decided to keep them at the level of previous year.
- For the differences in fair value we have performed the calculation of the related deferred tax.

NOTE 26 - SIGNIFICANT RISK MANAGEMENT POLICY

The company's specific activity determine the company's exposure to a variety of general risk, but also specific risks and financial market on that operates.

Risk is defined as the possibility of unfavorable deviations to arise against expected levels due to random fluctuations.

Significant risks have a high impact on the Company.

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

In their activity, the company may face uncontrollable risks, which are generally associated with external factors such as macroeconomic conditions, legislative changes, Changes in the competitive environment etc.

Usually, however, the company faced controllable risks, for which adopted active management policies and procedures (analysis, monitoring and control).

These risks are associated with internal invoices and nature of activity, the complexity of the organizational structure, quality of staff etc.

The main significant risks that the Company has to face, are:

- exchange rate risk
- interest rate risk
- credit risk
- liquidity risk
- operational risk

Exchange rate risk

The company is easily exposed to the fluctuations of exchange rate, mainly in the case of foreign currency current accounts, receivables and liabilities in other currencies. and receivables and liabilities in RON, but which on contracts are strengthened in relation to other currencies usually in EURO and / or USD.

The company has not used and not used at this time derivatives to protect the RON exchange rate fluctuations relative to other currencies.

Interest rate risk

Operating cash flows of the Company are affected by changes in interest rates, mainly in the case of lines of credit contracted depending on ROBOR.

Credit risk

Credit risk is the risk of recording losses or reaching the estimated profits. due to non-fulfillment of financial obligations. THR Marea Neagră SA has sold assets in installments, for which has calculated and collected interest rate. The rest of the price of contracts and interest are secured by mortgages on assets in favor of THR.

Liquidity risk

Liquidity is the ability of the Company to secure the necessary funds to fulfill all direct and indirect payable obligations, at a reasonable price at any time. Liquidity risk is the risk that the Company may encounter difficulties in fulfilling its contractual obligation associated with financial liabilities that are settled in cash.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED AT 31 DECEMBER 2018

(All amounts are presented in RON)

NOTE 26 - SIGNIFICANT RISK MANAGEMENT POLICY (CONTINUED)

An analysis of assets and liabilities has been made. based on the remaining period from the balance sheet date to the contractual maturity date for the financial year 2017. as:

RON

<i>Explanation</i>	<i>Note</i>	<i>Book value</i>	<i>Under 3 months</i>	<i>Between 3 and 12 months</i>	<i>Over 1 year</i>	<i>Indefinite maturity</i>
Assets						
Cash and cash equivalents	15	27,411,276	27,411,276	0	0	0
Trade receivables and other receivables	13	2,558,816	1,006,204	0	4,763	1,547,849
Inventories	12	294,185	157,620	131,944	4,621	0
Other current assets		895,292	345,382	164,990	384,919	0
Non-current assets including non-current assets held for sale		232,878,326	0	0	0	232,878,326
Total assets		264,037,895	28,920,482	296,934	394,304	234,426,175
Liabilities						
Provisions	22	991,092	0			991,092
Trade payables and other payables	21	22,188,878	7,001,274	1,941,323	65,160	13,181,121
Deferred income (Grants)		0	0	0	0	0
Total liabilities		23,179,970	7,001,274	1,941,323	65,160	14,172,213
						0
Liquidity surplus in the period		240,857,926	21,919,208	-1,644,389	329,144	220,253,962
Cumulative liquidity surplus		240,857,926	21,919,208	20,274,819	20,603,962	240,857,926

NOTES TO THE SEPARATE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED AT 31 DECEMBER 2018

(All amounts are presented in RON)

NOTE 26 - SIGNIFICANT RISK MANAGEMENT POLICY (CONTINUED)

Capital management

Company's capital management objectives are to ensure the protection and the ability to reward shareholders. to maintain an optimal capital structure to reduce capital costs. In order to maintain or change the capital structure. the Company may change the amount of dividends paid to shareholders, shareholders capital yield, issue new shares or sell assets to reduce debts.

The Company monitors the amount of capital raised based on gearing. This rate is the ratio of net debt and total equity. Net debts are calculated as total net cash debts. Total equity is calculated as equity plus net debt.

<i>Explanation</i>	2018	2017
Total liabilities (long and short term)	23,179,970	20,584,754
Cash and cash equivalents	27,411,276	4,439,143
Total equity	240,857,925	231,785,375
Net liabilities indicator	(245,089,231)	(215,639,763)

Operational risk

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

Defined policies for managing operational risk have considered each type of events that can generate significant risks and ways of their manifestations, to remove or reduce financial or reputational losses.

NOTE 27 –SUBSEQUENTEVENTS

We have no knowledge about events after the balance sheet date that would lead to significant influence on the data presented in the separate financial statements prepared for the financial year 2018.

NOTE 28 - BOARD OF DIRECTORS PROPOSAL FOR ALLOCATING NET PROFIT

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

To the legal reserve according to art. 183 of the Commercial Companies Act 31/1990, republished	565,153.00 RON
Distribution to other reserves	4,348,566.52 RON
Distribution of dividends to shareholders (gross dividend/share= 0.00848 RON)	4,909,495.48 RON

The separate financial statements were approved by the Board of Directors on March 14, 2019 and were signed by:

CHAIRMAN OF THE BOARD OF DIRECTORS
NARCISA MOSOIU

CHIEF FINANCIAL OFFICER
MIRCEA CRISTIAN

TURISM, HOTELURI, RESTAURANTE MAREA NEAGRA SA
CONSOLIDATED FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

(All amounts are presented in RON)

TURISM, HOTELURI, RESTAURANTE MAREA NEAGRA S.A., a company managed in a two-tier system

CONSOLIDATED FINANCIAL STATEMENTS AT DECEMBER, 31 2018

Prepared in accordance with International Financial Reporting Standards as adopted by the EU

Translator's explanatory note : This is a free translation of the original Romanian financial statements of Tursim, Hoteluri, Restaurante MareaNeagră SA. In the event of any discrepancy between this translation and the original document, the original Romanian financial statements shall prevail.

TURISM, HOTELURI, RESTAURANTE MAREA NEAGRA SA, a company managed in a two-tier system

STATEMENT OF CONSOLIDATED PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED AT 31 DECEMBER 2018

(All amounts are presented in RON)

For the financial year ended at 31 December	Note	Row	(RON)	(RON)
			2018	2017
Continuing operations				
Income from accommodation		1	29,528,562	21,016,132
Income from catering		2	13,932,309	10,128,015
Rental income		3	1,139,225	606,151
Other income included in turnover		4	2,349,255	3,104,123
Income from disposals of tangibles and non-current assets held for sale		5	14,673,559	1,382,160
Other income		6	1,842,160	2,749,096
Revenues associated with the costs of the completed production		7	0	0
Total Operational Income		8	63,465,070	38,985,678
Expenses related to inventories		9	7,613,704	6,225,155
Utility expenses		10	2,781,227	2,279,987
Employee benefits expense		11	14,086,307	12,237,858
Depreciation and amortization expenses		12	7,243,810	7,268,161
Expenses related to disposed fixed assets and assets held for sale		13	7,257,886	712,351
Other taxes		14	4,384,556	3,257,647
Expenses related to external services		15	5,644,659	3,583,838
Other expenses		16	1,399,419	1,289,070
Total Operational expenses		17	50,411,570	36,854,068
The result of operational activities		18	13,053,500	2,131,610
Financial income		19	361,371	160,920
Financial expenses		20	2,506,099	113,124
Net financial result		21	(2,144,728)	47,796
Result before taxation		22	10,908,772	2,179,406
Current income tax expense		23	930,777	42,274
Specific activity tax		24	467,610	293,512
Deferred income tax expenses		25	109,434	227,584

TURISM, HOTELURI, RESTAURANTE MAREA NEAGRA SA, a company managed in a two-tier system

STATEMENT OF CONSOLIDATED PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED AT 31 DECEMBER 2018

(All amounts are presented in RON)

For the financial year ended at 31 December	Note	Row	(RON)	(RON)
			2018	2017
<i>Deferred income tax income</i>		26	0	0
Result for continuing operations		27	9,400,951	1,616,036
Other comprehensive income				
<i>Increase/(decrease) of revaluation surplus</i>		28	(2,321,427)	(485,555)
<i>Tax related to other comprehensive income</i>		29	(88,811)	(38,458)
Other comprehensive income after taxation		30	(2,410,238)	(524,013)
Total comprehensive income for the period		31	6,990,713	1,092,023

Earnings per share (RON/share)

0.0170

0.0028

Diluted earnings per share (RON/share)

0.0170

0.0028

The consolidated financial statements were approved by the Board of Directors on March 14, 2019 and were signed by:

CHAIRMAN OF THE BOARD OF DIRECTORS

NARCISA MOSOIU

CHIEF FINANCIAL OFFICER

MIRCEA CRISTIAN

TURISM, HOTELURI, RESTAURANTE MAREA NEAGRA SA a company managed in a two-tier system

STATEMENT OF CONSOLIDATED FINANCIAL POSITION

AS AT 31 DECEMBER 2018

(All amounts are presented in RON)

As at 31 December	Note	Row	(RON)	(RON)
			2018	2017
Assets				
Non-current assets				
<i>Tangible assets</i>				
<i>Freehold land and land improvements</i>				
<i>Buildings</i>	8	1	58,591,430	59,734,338
<i>Plant and machinery, motor vehicles</i>	8	2	103,226,015	107,021,706
<i>Fixtures and fittings [...]</i>	8	3	7,455,271	9,295,115
<i>Tangible assets in progress</i>	8	4	8,854,714	9,547,939
<i>Intangible assets</i>	8	5	1,458,471	991,285
<i>Concessions, patents , licenses, trademarks , similar rights and assets</i>		6	0	0
<i>Other intangible assets</i>		7	162,108	313,488
<i>Trade receivables and other receivables</i>	9	8	200,605	101,498
<i>Investment property</i>		9	465,208	453,572
<i>Financial assets</i>	8;10	10	16,065,300	17,191,112
<i>Deferred tax assets</i>		11	0	2,432,010
Total fixed assets		12	951,078	951,078
		13	197,430,201	208,033,140
Current Assets				

<i>Inventories</i>	12	14	294,218	442,154
<i>Financial assets</i>	11	15	0	0
<i>Current tax assets</i>		16	0	38,336
<i>Trade receivables and other receivables</i>	13	17	2,604,511	4,933,051
<i>Accrued expenses</i>	14	18	895,292	782,016
<i>Cash and cash equivalents</i>	15	19	27,985,903	5,635,805
<i>Non-current assets held for sale</i>	16	20	37,666,185	36,516,013

TURISM, HOTELURI, RESTAURANTE MAREA NEAGRA SA, a company managed in a two-tier system

STATEMENT OF CONSOLIDATED FINANCIAL POSITION

AS AT 31 DECEMBER 2018

(All amounts are presented in RON)

As at 31 December	Note	Row	(RON)	(RON)
			2018	2017
Total Current Assets		21	69,446,108	48,347,375
Total Assets		22	266,876,309	256,380,515
Equity				
<i>Share capital</i>	17	23	57,894,994	57,894,994
<i>Capital adjustment following adoption of IAS 29 for the first time</i>	17	24	85,945,333	85,945,333
<i>Share premium</i>	17	25	1,895,855	1,895,855
<i>Reserves</i>	18	26	28,188,838	26,881,973
<i>Inflated reserves application of IAS 29 for the first time</i>	18	27	16,745,901	16,745,901
<i>Revaluation differences</i>	19	28	105,238,279	107,559,706
<i>Result for the period</i>	19	29	9,400,951	1,616,036
<i>Retained earnings except retained earnings from the adoption of IAS 29 for the first time</i>	19	30	55,169,050	52,923,423
<i>Retained earnings came following the application of IAS 29 for the first time</i>	19	31	(102,691,275)	(102,691,275)
<i>Other elements of equity</i>	20	32	(13,056,602)	(12,690,908)
Total Equity		33	244,731,322	236,081,038
Liabilities				
Long-term liabilities				
<i>Long-term loans</i>		34	0	1,600,000

TURISM, HOTELURI, RESTAURANTE MAREA NEAGRA SA, a company managed in a two-tier system

STATEMENT OF CONSOLIDATED FINANCIAL POSITION

AS AT 31 DECEMBER 2018

(All amounts are presented in RON)

<i>Trade payables and other liabilities, including derivatives</i>	21	35	65,160	39,735
<i>Accruals for employee benefits</i>		36	0	0
<i>Provisions</i>	22	37	744,059	409,128
<i>Deferred tax liabilities</i>	7	38	13,181,185	13,160,564
Total Long-term liabilities		39	13,990,404	15,209,427
Current liabilities				
<i>Short-term loans</i>	21	40	0	800,000
<i>Trade payables and other debts, including derivatives</i>	21	41	7,907,550	4,265,210
<i>Deferred income</i>	4	42	0	0
<i>Provisions</i>	22	43	247,034	24,841
<i>Deferred tax liabilities</i>		44	0	0
Total Current liabilities		45	8,154,584	5,090,051
Total Liabilities		46	22,144,987	20,299,477
Total Equity and Liabilities		47	266,876,310	256,380,515

The consolidated financial statements were approved by the Board of Directors on March 14, 2019 and were signed by the:

CHAIRMAN OF THE BOARD OF DIRECTORS

NARCISA MOSOIU

CHIEF FINANCIAL OFFICER

MIRCEA CRISTIAN

TURISM, HOTELURI, RESTAURANTE MAREA NEAGRA SA, a company managed in a two-tier system

**STATEMENT OF CONSOLIDATED CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED AT 31 DECEMBER 2018**

(All amounts are presented in RON)

Explanation	Share capital	Share capital adjustments IAS 29	Share premium account	Revaluation surplus	Reserves	Reserve adjustments IAS 29	Retained earnings except retained earnings from the adoption of IAS 29 for the first time	Retained earnings according IAS 29 first time adopted	Result for the period	Other elements of equity	Total equity
Balance at January 1 2017	57,894,994	85,945,333	1,895,855	108,045,261	26,451,693	16,745,901	53,330,461	(102,691,275)	4,399,514	(12,895,836)	239,121,901
Reductions in output (sales, scraping,	0	0	0	(485,556)	0	0	485,556	0	0	0	0
Loss cancellation previous years	0	0	0	0	0	0	(631)	0	0	0	(631)
Error corrections	0	0	0	0	0	0	(757,865)	0	0	0	(757,865)
Loss/ Net profit for the year	0	0	0	0	319,633	0	(4,967,707)	0	1,616,036	(110,647)	(3,142,685)
Transfer to reserves	0	0	0	0	110,647	0	4,833,608	0	(4,399,513)	315,575	860,318
Other comprehensive income	0	0	0	0	0	0	0	0	0	0	0
Revaluation surplus	0	0	0	0	0	0	0	0	0	0	0
Balance at 31 December 2017	57,894,994	85,945,333	1,895,855	107,559,705	26,881,973	16,745,901	52,923,423	(102,691,275)	1,616,036	(12,690,908)	236,081,038
Reductions in output (sales, scraping,	0	0	0	(2,321,427)	0	0	0	0	0	0	(2,321,427)
Loss cancellation previous years	0	0	0	0	0	0	5,332,192	0	0	0	5,332,192
Error corrections	0	0	0	0	0	0	(3,086,565)	0	0	0	(3,086,565)
Loss/ Net profit for the year	0	0	0	0	1,306,865	0	0	0	9,400,951	199,458	10,907,274
Transfer to reserves	0	0	0	0	0	0	0	0	(1,616,036)	(565,153)	(2,181,189)
Other comprehensive income	0	0	0	0	0	0	0	0	0	0	0
Revaluation surplus	0	0	0	0	0	0	0	0	0	0	0
Balance at 31 December 2018	57,894,994	85,945,333	1,895,855	105,238,278	28,188,838	16,745,901	55,169,050	(102,691,275)	9,400,951	(13,056,602)	244,731,322

The consolidated financial statements were approved by the Board of Directors on March 14, 2019 and were signed by the:

CHAIRMAN OF THE BOARD OF DIRECTORS
NARCISA MOSOIU

CHIEF FINANCIAL OFFICER
MIRCEA CRISTIAN

TURISM, HOTELURI, RESTAURANTE MAREA NEAGRA S.A., a company managed in a two-tier system

STATEMENT OF CONSOLIDATED CASH FLOWS

FOR THE FINANCIAL YEAR ENDED AT 31 DECEMBER 2018

(All amounts are presented in RON)

Explanation	Row	2018	2017
Cash-flow	1		
+/- Profit or Loss	2	9,400,950	1,616,036
+ Depreciation included in cost	3	7,243,810	7,268,161
- Changes in inventories (+/-)	4	1,002,235	25,333,253
- Changes in receivables (+/-)	5	(2,087,716)	(1,450,894)
+ Variation of suppliers and Advance payments from customers(+/-)	6	2,788,255	217,813
- Variation other asset items (+/-)	7	(2,913,446)	(13,234,259)
+ Variation in other liabilities (+/-)	8	2,478,352	6,448,295
= Cash flow from operating activities (A)	9	25,910,294	4,902,205
+ Disposals of tangible non-current assets	10	7,246,984	1,515,619
- Purchase of tangible non-current assets	11	7,343,519	3,818,831
= Cash flow from investing activities (B)	12	(96,535)	(2,303,212)
+ Loans variation (+/-), as:	13	0	0
+short-term loans receivable	14	7,500,000	9,900,000
- refunds of short-term loans	15	7,500,000	9,900,000
+medium and long term loans receivable	16	0	0
-refunds of medium and long term loans	17	2,400,000	800,000
- Dividends paid	18	1,063,662	3,940,903
= Cash flow from financial activities (C)	19	(3,463,662)	(4,740,903)
+ Cash at beginning of the period	20	5,635,805	7,777,715
+ Net Cash Flow(A+B+C)	21	22,350,097	(2,141,910)
= Cash at the end of the period	22	27,985,902	5,635,805

The consolidated financial statements were approved by the Board of Directors on March 4, 2019 and were signed by the:

CHAIRMAN OF THE BOARD OF DIRECTORS
NARCISA MOSOIU

CHIEF FINANCIAL OFFICER
MIRCEA CRISTIAN

TURISM, HOTELURI, RESTAURANTE MAREA NEAGRA S.A., a company managed in a two-tier system

STATEMENT OF CONSOLIDATED CASH FLOWS

FOR THE FINANCIAL YEAR ENDED AT 31 DECEMBER 2018

(All amounts are presented in RON)

NOTE 1 – REPORTING ENTITY

These financial statements are consolidated financial statements, in accordance with IAS 27.4.

The consolidated financial statements comprise the financial statements of Turism, Hoteluri, Restaurante Marea Neagră SA and its subsidiary Balneoterapia Saturn SRL

Turism, Hoteluri, Restaurante Marea Neagra S.A. ("The Parent Group") is a Group founded in 1991 that works in Romania in accordance with Law 31/1990 and Law 297/2004 regarding the capital market.

The Parent Group name is Turism, Hoteluri, Restaurante Marea Neagra S.A. (abbreviated THR Marea Neagra S.A.). The Group has the legal form of "joint stock Group (JSC)" and is an entity with unlimited life.

The Group is headquartered in Mangalia, Lavrion Street, no. 29, Zip code 905500

Contact details of the Group are:

Telephone: 0241752452

Fax: 0241755559

Website: www.thrmareaneagra.ro

e-mail: thrmareaneagra@yahoo.com

Unique registration code in the Trade Register: 2980547

Fiscal registration code: RO 2980547

Number of Registered business: J 13/696/1991

According to the statute, the main activity of the Group is CAEN code: 5510 Hotels and other similar accommodation facilities.

The Group operates in Romania, being present on other geographic markets.

Regulated market where the issued securities are traded: Bucharest Stock Exchange (market symbol: EFO).

Subscribed and paid up share capital: 57,894,993.9 RON divided in 578,949,939 shares. In reporting the years there have been no changes in the number of shares. Of the total shares issued and outstanding at 31.12.2017:

- THR does not hold redeemed shares;
- Subsidiary does not own shares.

The main characteristics of the securities issued by T.H.R. Marea Neagra S.A.: common, dematerialized, ordinary, indivisible and of equal value, issued at a nominal value of 0,10 RON / share.

TURISM, HOTELURI, RESTAURANTE MAREA NEAGRA S.A., a company managed in a two-tier system

STATEMENT OF CONSOLIDATED CASH FLOWS

FOR THE FINANCIAL YEAR ENDED AT 31 DECEMBER 2018

(All amounts are presented in RON)

NOTE 1 – REPORTING ENTITY (CONTINUED)

The subsidiary is Balneoterapia Saturn SRL (“The Subsidiary”), headquartered in Mangalia, Lavrion Street, no. 29, Constanta County

The contact details of the Group are:

Telephone: 0241.752.452

Unique registration code in the Trade Register: 14271182

Number of Registered business: J 13/1910/2001

The Group’s shares are not traded on a regulated market. The shareholders evidence is held by the administrators using the register of shareholders

Largest group in which the entity works as a subsidiary: **S.I.F. TRANSILVANIA S.A.**

The smallest group in which the entity works as a subsidiary: **S.I.F. TRANSILVANIA S.A.**

Registered office of S.I.F. TRANSILVANIA S.A. is: Brasov, Nicolae Iorga Street, no.2, Brasov county.

Group’s consolidated financial statements of SIF Transilvania SA can be obtained from the registered office.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied in preparing these consolidated financial statements in accordance with IFRS as adopted by EU, are presented below. These policies have been consistently applied to all financial years presented, unless otherwise stated.

2.1 Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by EU.

These financial statements are consolidated financial statements of THR Marea Neagră SA and Balneoterapia Saturn SRL („Group”).

The accruals principle and the going concern principle have been applied when preparing these financial statements

The Group has prepared the annual financial statements for the year ended 31 December 2018 in accordance with International Financial Reporting Standards as adopted by European Union, applicable to companies whose securities are admitted to trading on a regulated market, according to the Order of the Minister of Finance no. 881/2012 regarding the application of International Financial Reporting Standards by companies whose securities are admitted to trading on a regulated market and the Order of the Minister of Finance no. 2844/2016 approving the Accounting Regulations in accordance with International Financial Reporting Standards applicable to companies whose securities are admitted to trading on a regulated market, including subsequent amendments and additions.

STATEMENT OF CONSOLIDATED CASH FLOWS

FOR THE FINANCIAL YEAR ENDED AT 31 DECEMBER 2018

(All amounts are presented in RON)

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The accounts of the Parent Group are listed in RON, in accordance with IFRS as adopted by the European Union. The financial statements have been authorized for issue by the Board of Directors on March 14, 2019.

In accordance with IAS 29 and IAS 21, the consolidated financial statements of an entity whose functional currency is the currency of a hyperinflationary economy should be presented in the current unit to the date of the financial statements, therefore non-monetary items should be restated using a general price index which was given at the date of acquisition or contribution. IAS 29 stipulates that an economy is considered hyperinflationary if, among other factors, the cumulative inflation exceeds 100% over a period of 3 years.

At 31.12.2015, the Parent Group proceeded to share capital restatement according to IAS 29, by reconstituting the evolution of capital and reserves of the foundation until 2003 (specifying the exact date and source) applying inflation indices.

Presentation of Financial Statements

The consolidated financial statements are presented in accordance with IAS 1 "Presentation of Financial Statements". The Group has adopted a presentation based on assessing the nature and liquidity of assets in the statement of financial position and a statement of income and expenses according to their nature in the statement of comprehensive income, considering that these methods of presentation provides information that is more relevant than other methods that would have been permitted by IAS 1.

Basis of valuation

The consolidated financial statements are prepared using the cost method, except land and buildings which are revalued at fair value. Fair value method is applied, except for assets or liabilities for which the fair value cannot be determined reliably.

Valuation of assets and liabilities was made as:

- **Inventories** are valued at the lower value between cost and net realizable value.
- **Tangible assets** are measured initially at:
 - i) The acquisition cost, for those acquired for consideration;
 - ii) The input value, for those received as a contribution in kind to the establishment of share capital or increase of share capital;
 - iii) at fair value at the acquisition date, for those received as free of charge.For subsequent recognition, the Group has adopted the revaluation model.
- **Intangible assets** are initially measured at cost. After recognition intangible assets are accounted based on the cost model, at cost less any accumulated depreciation and any accumulated impairment losses.

STATEMENT OF CONSOLIDATED CASH FLOWS

FOR THE FINANCIAL YEAR ENDED AT 31 DECEMBER 2018

(All amounts are presented in RON)

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- **Investment properties (buildings and land)** are determined at the fair value by an independent evaluator by :
 - i) determining replacement value;
 - ii) estimating accrued depreciation;
 - iii) determination of the remaining value of construction ;
 - iv) direct comparison method by reference to market prices in a similar and comparable in area.
- **Financial investments** are recognized at cost.
- **Non-current assets held for sale** are measured at the lower value of carrying amount and fair value less cost to sell.
- **Cash and cash equivalents** are presented in the balance sheet at cost.

Use of estimates and judgments

The preparation of financial statements in accordance with IFRS as adopted by the European Union involves the use of estimates, judgments and assumptions by management that affect the application of accounting policies as reported amounts of assets, liabilities, income and expenses. The estimates and assumptions associated with these estimates are based on historical experience and other factors considered reasonable in the context of these estimates. The results of these estimates form the basis of judgments about the carrying amounts of assets and liabilities that cannot be obtained from other sources of information. The results may differ from these estimates.

The estimates and underlying assumptions are reviewed periodically. Revisions of accounting estimates are recognized in the period in which the estimate is revised, if the revision affects only that period or in the period in which the estimate is revised and future periods if the revision affects both current period and future periods.

Changes in estimates, by their nature are not related to prior periods and are corrections of errors.

As an exception to the presentation of the effect of the change in estimate shown above, if such a change gives rise to changes in assets and liabilities or capital, the effect of this change will be presented through an adjustment of assets, liabilities or equity in the period in which the change has taken place.

Judgments made by management in applying IFRS that have a significant effect on the consolidated financial statements and estimates that involve a significant risk of a material misstatements in the next year are disclosed in Note 26.

STATEMENT OF CONSOLIDATED CASH FLOWS

FOR THE FINANCIAL YEAR ENDED AT 31 DECEMBER 2018

(All amounts are presented in RON)

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 General aspects of applied accounting policies

If a standard or an interpretation specifically applies to a transaction, other event or condition, accounting policies applied to that element, it is chosen by applying the standard or interpretation in question, considering any implementation guide issued by the IASB for the standard or interpretation in question.

The accounting policies are consistently applied to transactions, other events and similar conditions, except when a standard or an interpretation requires or permits the classification of categories, for which different policies may apply to the previous.

Changing an accounting policy is permitted only under the following conditions:

- This change is required by a standard or an interpretation;
- The change will provide reliable and relevant information about the effects of transactions, events and conditions.

Significant errors of previous periods found on the recognition, measurement, presentation or disclosure of elements of financial statements should be corrected retrospectively in the first set of financial statements that are authorized for issuance by:

- restating the comparative amounts for the period or prior periods in which the error occurred; or
- restating the opening balances of assets, liabilities and equity for the farthest period presented, if the error occurred before the farthest prior period presented.

2.4 Standards and interpretations available in the current period

Based on the provisions of each standard, the Group has developed accounting policies in accordance. If the Standards provide alternatives solutions or exceptions, have been established policies opted for.

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NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The Group has applied starting from 2012, the following International Financial Reporting Standards with the accounting policies adjustments for the Group:

IAS 1	Presentation of financial statements	Fundamental Accounting Principles, structure and content of financial statements, mandatory posts and the concept of true and fair view, completed with amendments applicable from 1 January 2013.
IAS 2	Inventories	Defining of the accounting process applicable to inventories in the historical cost system: evaluation (first in - first out, weighted average cost and net realizable value) and the perimeter of allowed costs.
IAS 7	Statement of Cash Flows	Analysis of cash variations, classified into three categories: cash-flows from operating activities, cash-flows from investing activities, cash-flows from financing activities.
IAS 8	Accounting policies, Changes in Accounting Estimates and Errors	Defining the classification, the information that need to be disclosed and accounting treatment of certain items in the income statement.
IAS 10	Events after the reporting period	Requirements for when events after the end of the reporting period should generate an adjustment to the financial statements: definitions, terms and conditions, particular cases (dividends).
IAS 12	Income Taxes	Definition of tax accounting processing on the period result and detailed stipulations on deferred taxes, supplemented by amendments applicable from 1 January 2013

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IAS 16	Property, plant and equipment	Accounting treatments, net book value calculation and relevant principles regarding depreciation for most types of property, plant and equipment.
IAS 17	Leases	Defining lessee and lessor, accounting treatments regarding location-financing contracts and simple location contracts.
IAS 18	Revenue	Revenue recognition principles for ordinary activities from certain types of transactions and events (fair value principle, the principle of linking expenditure to income, the percentage of advancement services, asset sharing, etc.).
IAS 19	Employee benefits	Accounting principles regarding employee benefits: short and long term benefits, post-employment benefits, advantages on equity and allowances on termination of employment.

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NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

IAS 20	Accounting for Government Grants and Disclosure of Government Assistance	Accounting principles for direct or indirect public aid (clear identification, concept of fair value, restraining subsidized connection etc.).
IAS 21	The Effects of changes in Foreign Exchange Rates	Accounting treatments of abroad activities, foreign currency transactions and restarting financial statements of a foreign entity.
IAS 23	Borrowing Costs	The definition of borrowing costs and accounting treatments: the notion of qualifying asset, how to incorporate borrowing costs in the amount of qualified assets.
IAS 24	Related Party Disclosures	Details of related party relationships and transactions (legal and natural persons) who exercises control or significant influence over one of the group's companies or the management.
IAS 26	Accounting and Reporting by Retirement Benefit Plans	Principles and information on the retirement schemes (funds), distinguishing defined contribution schemes and defined-benefit.
IAS 27	Consolidate and Separate Financial Statements	Principles concerning the presentation of separate financial statements, defining the obligation of consolidation and control, the convergence of accounting rules within the group, other principles.
IAS 28	Investments in Associates and Joint Ventures	IAS 28 Investments in Associates and Joint Ventures (as amended in 2011) outlines how to apply, with certain limited exceptions, the equity method to investments in associates and joint ventures. The standard also defines an associate by reference to the concept of "significant influence", which requires power to participate in financial and operating policy decisions of an investee (but not joint control or control of those policies). AS 28 was reissued in May

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		2011 and applies to annual periods beginning on or after 1 January 2013.
IAS 29	Financial Reporting in Hyperinflationary Economies	Reconstitution of capital and reserves evolution.
IAS 31	Interests in Joint Ventures	Accounting principles and policies to joint venture operations performed, assets or holdings in a joint venture.
IAS 32	Financial Instruments: Presentation	Rules of presentation (classification of debt equity, expenses or income/equity).
IAS 33	Earnings per Share	Principles of determination and representation of earnings per share.
IAS 36	Impairment of Assets	Key definitions (recoverable amount, fair value less costs of disposal, value in use, cash-generating units), the frequency of impairment tests, accounting for the impairments, and for goodwill impairment
IAS 37	Provisions, Contingent Liabilities and Contingent Assets	Defining provisions and approach of estimating provisions, individual cases examined (including the problem of restructuring).
IAS 38	Intangible Assets	Definition and accounting treatments for intangible assets, recognition and measurement policies on the processing costs for research and development etc.
IAS 39	Financial Instruments: Recognition and Measurement	Recognition and measurement principles regarding financial assets and liabilities, the definition of derivatives, hedge accounting operations, the issue of fair value etc.
IAS 40	Investment Property	Establishing the evaluation method: fair value model or cost model, transfers between different categories of assets etc.
IFRS 1	First-time Adoption of International Financial Reporting Standards	The procedures for financial statements according to IAS / IFRS optional exemptions and mandatory exceptions to retrospective application of IAS / IFRS, supplemented by amendments applicable from 1 January 2013.
IFRS 5	Non-current Assets Held for Sale and Discontinued Operation	Defining an asset held for sale and discontinued operations, and the evaluation of these elements.
IFRS 7	Financial Information: Disclosures	Financial information related to financial instruments are referring primarily to: (i) information about the significance of financial instruments; and (ii) information about the nature and extent of risks arising from financial instruments, supplemented by amendments applicable from 1 January 2013.

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IFRS 9	Financial Instruments	The Standard includes requirements for recognition and measurement, impairment, derecognition and general hedge accounting. The IASB completed its project to replace IAS 39 in phases, adding to the standard as it completed each phase. The version of IFRS 9 issued in 2014 supersedes all previous versions and is mandatorily effective for periods beginning on or after 1 January 2018 with early adoption permitted
IFRS 10	Consolidated Financial Statements	Establishing principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities.
IFRS 11	Joint Arrangements	Establishing principles for financial reporting for entities that hold interests in jointly controlled commitments.
IFRS 12	Disclosure of Interests in Other Entities	Requires an entity to disclose information that will enable users of its financial statements to evaluate: the nature and risks associated with interests held in other entities; and the effects of those interests on the financial position, financial performance and its cash flows.
IFRS 13	Fair value measurement	The definition of fair value, establishing, in a single IFRS, a framework for measuring fair value, requiring the presentation of information on fair value.
IFRS 15	Revenue from Contracts with Customers	IFRS 15 specifies how and when an IFRS reporter will recognise revenue as well as requiring such entities to provide users of financial statements with more informative, relevant disclosures. The standard provides a single, principles based five-step model to be applied to all contracts with customers. IFRS 15 was issued in May 2014 and applies to an annual reporting period beginning on or after 1 January 2018.

STATEMENT OF CONSOLIDATED CASH FLOWS

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(All amounts are presented in RON)

2.3.1 Foreign currency translation

Presentation currency and functional currency

The financial statements are presented in RON, rounded to the nearest RON, which is the reference currency, RON is both functional currency and presentation currency.

Transactions and balances

Transactions in foreign currency are recorded in RON at the official exchange rate at the date of settlement of transactions, Monetary assets and liabilities in foreign currencies at the balance sheet date are translated to the functional currency at the exchange rate at the day,

The exchange rates of major foreign currencies were:

	31 decembrie 2018	31 decembrie 2017
EUR	4.6639	4.6597
USD	4.0736	3.8915

Operations in foreign currencies are recorded in accounting in both currencies, foreign exchange and RON. Apply these accounting policies:

- conversion transactions in a foreign currency to the functional currency (RON) is performed based on the exchange rate in effect at the time the transactions occur;
- cash and cash equivalents, receivables and liabilities recorded in a currency other than RON existing liabilities at the end of a financial year, are valued at the exchange rate announced by the central bank for the last banking day of the year.

Gains and losses resulting from the settlement of transactions in a foreign currency and the conversion of monetary assets and liabilities denominated in foreign currencies are recognized in profit or loss in financial result.

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NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The conversion differences related to non-cash items such as equity securities, are reported as:

- As part of the gain or loss from the adjustment to fair value if the shares held for trading;
- Included in equity in value reserve at fair value in case of units held for sale.

2.3.3 Property, plant and equipment

Measurement at recognition

An item of property, plant and equipment that qualifies for recognition as an asset, is measured at cost.

Tangible assets are initially measured at cost (those acquired for consideration), or at the input value (those received as a contribution in kind to the establishment of share capital or increase of share capital), respectively at fair value at acquisition date (those received as free of charge).

Evaluation after recognition

For subsequent recognition, the Group has adopted the revaluation model.

The value of the revalued asset is its fair value at the date of revaluation. Revaluations shall be made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the balance sheet date. Revaluations are performed by independent appraisers certified by ANEVAR.

Revalued amount (in addition) substitutes the acquisition cost.

If a revaluation results in an increase in value, it should be credited to other comprehensive income and accumulated in equity under the heading "revaluation surplus" unless it represents the reversal of a revaluation decrease of the same asset previously recognized as an expense, in which case it should be recognized in profit or loss. [IAS 16,39]

A decrease arising as a result of a revaluation should be recognized as an expense to the extent that it exceeds any amount previously credited to the revaluation surplus relating to the same asset. [IAS 16,40]

The revaluation surplus included in equity in respect of an item of property and equipment is transferred directly to retained earnings when the asset is derecognized. It involves the transfer of the entire surplus when the asset is retired or disposed of. Transfers from revaluation surplus to retained earnings is not made through profit or loss.

Amounts paid or payable, generated daily repairs and maintenance of tangible assets are recorded at cost-owned Group under accrual accounting properly influencing the income statement for the period.

Amounts paid or payable generated by operations leading to increasing the value and / or the life, property and equipment owned by upgrading or those operations that lead to a significant improvement of the technical parameters, the growth potential of generating benefits economical by them, is capitalized (properly increase the carrying value of the respective assets).

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(All amounts are presented in RON)

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Depreciation

Depreciation charge for each period are recognized in profit or loss unless they are included in the carrying amount of another asset.

Depreciation is calculated at book value (acquisition cost or revalued amount), less the residual value, using the straight-line method, over the estimated useful life of the assets. The depreciation is charged monthly to the statement of other comprehensive income. Depreciation of an asset begins when it is available for use, when it is in the location and condition necessary for it to function in the manner intended by management. Depreciation of an asset ceases at the earlier of the date the asset is classified as held for sale (or included in a disposal group that is classified as held for sale) in accordance with IFRS 5 and the date when the asset is derecognized. Therefore, depreciation does not cease when the asset is used or is retired from active use unless the asset is fully depreciated.

When registering revaluations, accumulated depreciation is eliminated.

The residual value and useful life of an asset shall be reviewed at least at each financial year-end. If expectations differ from previous estimates, the change(s) shall be accounted for as a change in an accounting estimate in accordance with IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*.

Land is not depreciated.

Depreciation of other tangible assets is calculated using the straight-line method, allocating costs related to the residual value according to the corresponding life

	Years	
	<u>2018</u>	<u>2017</u>
Buildings	50	50
Other equipment, furniture and other changes	as far as 12	as far as 12
Vehicles	as far as 14	as far as 14

Impairment of tangible assets

An asset is impaired when its carrying amount exceeds its recoverable amount.

At each reporting date, the entity should check if there are indicators of impairment of assets. If such indicators are identified, the entity shall estimate the recoverable amount of the asset.

If the carrying amount of an asset is decreased as a result of a revaluation, the decrease is recognized in the profit or loss. However, the reduction is recognized in other comprehensive income to the extent that the revaluation surplus shows a credit balance for the asset. Reduction recognized in other comprehensive income reduces the amount accumulated in equity under the heading of revaluation surplus.

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NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Derecognition

The carrying amount of a fixed asset shall be derecognized:

- (a) when disposed, or
- (b) When no future economic benefits are expected from its use or disposal.

The gain or loss arising from the derecognition of a fixed asset shall be included in profit or loss when the item is derecognized.

Gains shall not be classified as revenue.

2.3.3 Intangible assets

Recognition and measurement

In recognition of an asset as an intangible asset the entity must demonstrate that the item meets the following:

The definition of an intangible asset. An intangible asset is separable, capable of being separated or divided from the entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, asset or liability; and arises from contractual rights or other legal rights, whether those rights are transferable or separable from the entity or from other rights and obligations.

Recognition criteria:

- it is probable that the expected future economic benefits attributable to the asset will flow to the entity; and
- the cost of the asset can be measured reliably.

An intangible asset shall be measured initially at cost. The cost of a separately acquired intangible asset comprises:

- its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates; and
- any directly attributable cost of preparing the asset for its intended use.

For intangible assets acquired free of charge or for symbolic consideration through a government grant, the entity recognizes the asset initially at nominal value plus any costs directly attributable to preparing the asset for its intended use.

Intangible assets according to generally accepted regulations cannot be acquired through exchange of assets, which are treated as separate deliveries.

STATEMENT OF CONSOLIDATED CASH FLOWS

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NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recognition of expenses

Expenditure on an intangible item shall be recognized as an expense when it is incurred unless they are part of the cost of an intangible asset that meets the recognition criteria.

Expenditure on an intangible item that was initially recognized as an expense shall not be recognized as part of the cost of an intangible asset at a later date.

Evaluation after recognition

After recognition, an intangible asset is accounted for under the cost model, namely at its cost less any accumulated depreciation and any accumulated impairments.

Amortization

Computer software is amortized over a period between 1 year and 3 years, and licenses for the period of validity, using the straight-line depreciation method.

2.3.4 Cash and cash equivalents

Cash and cash equivalents are presented in the statement of financial position at cost. For the purpose of statement of cash-flows, cash and cash equivalents include petty cash, bank accounts, including deposits with a maturity of three months or less, cash in transit, other short-term financial investments with high liquidity with a maturity of three months or less and overdraft facilities.

2.3.5 Trade receivables

Trade receivables are categorized as financial assets.

A financial asset is recognized in the statement of financial position when, and only when the Group becomes part of the certain contractual terms of the instrument.

Trade receivables are carried at original invoice amount less allowance (impairment test) recognized for doubtful receivables. The amount of the trade receivables allowance is calculated as difference between the carrying amount and the recoverable amount.

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NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3.6 Financial assets and liabilities

Classification

The Group classifies financial instruments held in the following categories:

Financial assets and liabilities measured at fair value through profit and loss

This category includes financial assets or financial liabilities held for trading and financial instruments classified at fair value through profit or loss at initial recognition. A financial asset or liability is classified in this category if it was mainly purchased for speculative purposes or if it has been designated in this category by management.

Investments held-to-maturity

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments that an entity intends and is able to hold to maturity and that do not meet the definition of loans and receivables and are not designated on initial recognition as assets at fair value through profit or loss or as held for sale. Held-to-maturity investments are measured at amortized cost.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than held for trading or designated on initial recognition as assets at fair value through profit or loss or as held for sale.

Financial assets held for sale

Financial assets held for sale are any non-derivative financial assets designated on initial recognition as available for sale or any other instruments that are not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through profit or loss.

Financial assets held for sale are measured at fair value in the statement of financial position. Changes in the fair value of financial asset, other than gains or losses from exchange rate variations, are recognized in equity. When the asset is derecognized, the gain or loss is transferred to profit or loss.

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NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recognition

Financial assets and liabilities are recognized at the settlement date, respectively at the date on which the financial instruments are sold or purchased. Financial assets and liabilities are initially measured at fair value, plus directly attributable transaction costs, except for investments in shares which fair value could not be determined reliably and which are initially recognized at cost.

Amortized cost measurement

Amortized cost of a financial asset or financial liability is the amount at which the financial asset or liability is measured at initial recognition minus principal payments, plus or minus the cumulative amortization of any difference between that initial amount and the maturity amount and minus any write down for impairment or uncollectability.

Fair value measurement

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Fair value measurement assumes a transaction taking place in the active market for the asset or liability. A financial instrument is traded on an active market, if quoted price are available quickly and regularly for that certain financial instrument. Financial assets available for sale for which there is not an active market and for which it is not possible to determine a fair value, are measured at cost and annually tested for impairments.

For all other financial instruments, fair value is determined using valuation techniques. Valuation techniques include techniques based on the net present value, discounted cash flow method, the method of comparison to similar instruments for which there is an observable market price and other evaluation methods.

Identification and measurement of impairment

Financial assets measured at amortized cost

An entity is required to assess at each balance sheet date whether there are any indicators of impairment. A financial asset or group of assets is impaired, only if there are indicators of impairments as a result of one or more events that occurred after the initial recognition of the asset ("loss generating event"), and these events have an impact of the future cash-flows generated from the asset or from the group of assets, which can be measured reliably.

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NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

If any such impairment indicators exist, the entity is required to perform a detailed impairment calculation to determine whether any impairments should be recognized or not. The impairment should be amounted to the difference between the asset's carrying amount and the net present value of estimated discounted cash flows using the initial effective interest rate.

If a financial asset measured at amortized cost has a variable interest rate, the discount rate for measuring any loss of damping is current variable interest rate, specified in the contract. The carrying amount of the asset is diminished by the use of an allowance account. Impairment losses are recognized in profit or loss.

In the subsequent period of an event occurring after the recognition of impairments will generate a decrease of the impairments previously recognized. The impairment loss is reversed either directly or by adjusting an allowance account. Reduction of the impairment loss is recognized in profit or loss.

Available-for-sale financial assets

The Group assesses at each balance sheet date whether there are indicators of impairment of the financial asset or group of financial. In the case of equity investments classified as available for sale, a significant or prolonged decline in the fair value of the share below its cost is considered to determine whether the assets are impaired or not.

If such indicators of impairment exist for the available-for-sale financial assets, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in profit or loss - is removed from other comprehensive income and is recognized in profit or loss. Impairment losses recognized in the income statement and within equity instruments are not reversed through profit or loss. If, in a subsequent period, the amount fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the loss was recognized in profit or loss, the impairment loss is reversed through profit or loss.

Given the intrinsic limitations of the applied methodologies and significant uncertainty of the valuation of assets in international markets and local, the Group's estimates may be revised significantly after the date when the financial statements are authorized for issue.

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NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Derecognition

The Group derecognizes a financial asset when the rights to receive cash flows from the financial asset expire or when the Group has transferred its rights to receive the contractual cash flows attributable to the financial asset in a transaction in which it has substantially transferred all the risks and rewards of ownership.

Any interest in transferred financial assets retained by the Group or created for the Group is recognized as a separate financial asset or liability.

The Group derecognizes a financial liability when its contractual obligations have been completed or when its contractual obligations are canceled or expires.

2.3.7 Employee Benefits

The Group makes payments to pension funds, health funds, unemployment funds, allowances and vacations for all staff. All employees of the Group are members of the state pension plan. These expenses are recognized in profit or loss for the period covered.

The Group does not operate any other pension plan or retirement benefits so it has no other obligations in respect of pensions.

2.3.8 Income tax

Recognition of current tax assets and liabilities

The current tax liability for the reporting period and prior periods is recognized to the extent that it is not paid.

If the amounts paid in current period and in prior periods exceeds the amount due for those periods, the excess is recognized as current tax asset.

Benefits relating to a tax loss that can be transferred in order to recover income tax of a previous period is recognized as current tax asset.

Liabilities (or assets) for the current period income tax and prior periods are measured at the amount expected to be paid (recovered) to (by) the tax authorities, using the tax rates (and legislation) applicable at the balance sheet date.

Recognition of deferred tax assets and liabilities

taxes calculated, by using the balance sheet method, based on the temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax is determined using tax rates (and laws), that have been enacted or substantially adopted at the balance sheet date and are expected to apply when the related deferred income tax is realized or the deferred income tax is settled.

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NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The main temporary differences arise from the following operations:

- Application of tax incentives, consisting of additional deduction of 20% of the book value of assets, when the assets are available for use
- Application of accounting treatments different from the fiscal treatment regarding the recognition of investment properties
- The existence of settlement periods greater than one year
- Application of accounting treatments different from the fiscal treatment regarding the recognition of revaluation surplus
- Application of accounting treatments different from the fiscal treatment regarding the recognition of materials in the form of small inventory

Deferred tax arising from the fair value of non-current assets held for sale, which are directly credited or debited in equity will be subsequently recognized in profit or loss together with the deferred gain or loss.

Deferred tax assets are recognized to the extent that there is likelihood of future taxable profit of which can be recovered temporary difference.

A deferred tax asset must be recognized for all deductible temporary differences to the extent that it is probable taxable profit will be available against which the deductible temporary difference can be used, except the case when the deferred tax asset arises from the initial recognition of an asset or liability in a transaction that:

- iii) is not a business combination;
- iv) at the time of the transaction, affects neither the accounting profit nor taxable profit (tax loss).

A deferred tax asset for the carried forward losses and unused tax credits will be recognized by the Group to the extent that it is probable to exist future taxable profits against which the losses and unused tax credits can be used.

2.3.9 Specific activity tax

Starting from January 1st 2017, THR Marea Neagra applied the provisions according to Law 170/ 2016 on the specific activities tax taking in consideration the principal activity corresponding to CAEN 5510 - " Hotels and other accommodation facilities',

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(All amounts are presented in RON)

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3.10 Provisions

Provisions are liabilities of uncertain timing or amount.

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made.

If the Group expects a partial or full reimbursement of the expenditure required to settle a provision (e.i. insurance contracts) it shall:

- a) recognize a reimbursement only if it is certain that it will take place if the Group will fulfill its obligations and the amount recognized for a reimbursement will not exceed the provision;
- b) recognize the amount refunded as a separate asset. In statement of comprehensive income, expenditure related to a provision may be presented after the recognized amount of repayment was decreased.

Provisions shall be reviewed at the end of the reporting period and adjusted to reflect the current best estimate. If an outflow of resources embodying economic benefits is not probable, the provision must be reversed.

No provision is recognized for costs that are incurred for this activity in the future.

Group records provisions for onerous contracts in situations where the expected benefits to be derived from a contract are lower than the unavoidable costs associated with contractual obligations.

Provisions are recognized when the Group has a legal or constructive obligation arising from past events, when it is necessary to settle the obligation that an outflow of resources embodying economic benefits and when the amount of the obligation can be measured reliably.

2.3.11 Recognition of income

Revenues of the Group are accounted for by their nature (operational, financial).

Revenue should be measured at the fair value of the consideration received or receivable. In the case of a financial transaction, the fair value is determined by discounting all future receipts, using a default interest rate, the difference from the book value being interest income. When the outcome of a transaction involving the rendering of services cannot be estimated reliably, the income should be recognized only to the extent of the expenses recognized that are recoverable.

The amounts collected on behalf of third parties such as sales taxes, goods and services taxes and value added taxes are not economic benefits for the entity and do not result in increases in equity. Therefore, they are excluded from income. Similarly, in the case of a Management Agreement, the gross inflows of economic benefits include amounts collected on behalf of the principal and which do not result in increases in equity for the entity. The amounts collected on behalf of the principal are not revenues, instead revenues are represented by commissions.

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NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenues from rendered services are accounted as the services are rendered. The provided services include the execution of works and any other operations that cannot be considered as delivery of goods. The stage of completion of the work is determined based on the situation of works that accompany the invoices, records receptions or other evidence regarding the stage of completion and services reception. For recognition is required to exist the probability that the economic benefits associated with the transaction will flow to the Group, the final stage of the transaction at the end of the period and the costs incurred for the transaction and those for completion of the transaction can be measured reliably.

Interest incomes are recognized using the effective interest method proportional to the relevant period of time, based on the principal and the effective rate over the period to maturity or shorter period if it binds transaction costs, it is established that the Group will obtain such income. When unpaid interest has accrued before the acquisition of an interest-bearing investment, the subsequent receipt of interest is allocated between pre-acquisition and post-acquisition; only the post-acquisition portion is recognized as revenue.

Income from financial assets, respectively dividends receivable from entities in which the Group holds equity, are recognized in the financial statements of the Group in the financial year when they are approved by the General Meeting of each entity.

The nominal value of shares that are received free of charge is also recorded as income from financial assets, as a result of direct incorporation of the profit for the last period in the equity of an entity in which shares are held.

Shares received free of charge after the issuer's share capital increases, increases made by incorporating the current year profit are accounted for as dividend income to the nominal value (cost), which were later recognized at fair value.

Income derived from the sale / disposal of investments held are recognized at the time when their ownership is transferred from the seller to the buyer, using settlement date accounting.

Revenues from sales of shares are recognized on a gross basis (transaction amount), and those resulting from transactions with short-term financial investments are recognized on a net basis (difference between the sales and cost).

2.3.12 Dividend Payment

The Group recorded obligation to pay dividends in the year in which the dividend distribution of profit is approved by the General Meeting of Shareholders.

2.3.13 Activity segments

The Group's management reviews the Group's overall activity (using statutory information). Information regarding business segments has not been obtained.

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(All amounts are presented in RON)

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3.14 New international standards not applied by the Group

The Group does not apply some IFRS or new stipulations regarding IFRS issued, but not in effect at the date of the financial statements. The Group cannot estimate the impact of applying this stipulations and intends to apply them when they come into force. Among the issued, but not adopted standards, the Group will not face the situation to prospectively apply neither of them. These are:

- IFRS 17 "Insurance Contracts", issued on 18 May 2017, with effect from 1 January 2021;
- Annual Improvements to the IFRS Standards for the Period 2015-2017, issued on December 12, 2017, with effect from 1 January 2019;
- Amendments to IAS 19 "Change Planning, Reducing or Settlement Planning" appeared on 7 February 2018 with effect from 1 January 2019;
- Amendments to the conceptual framework references of the IFRS, issued on 29 March 2018 with effect from 1 January 2020.;
- Amendments to IFRS "Business Combinations", issued on 22 October 2019, with effect from January 1, 2020;
- Amendments to IAS 1 "Presentation of Financial Statements" and IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors," as of 31 October 2018, with effect from 1 January 2020.

TURISM, HOTELURI, RESTAURANTE MAREA NEAGRA S.A., a company managed in a two-tier system

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NOTE 3 – OPERATING INCOME, LESS INCOME FROM ASSET SALES

The main activity of the Group is tourist accommodation services, catering and entertainment. In 2018, the Group recorded next tourist traffic:

Day-tourist					
Month	Treatment	Agencies	Foreign+ On their own	Other beneficiaries	TOTAL
Conducted in 31 December 2018	109,664	261,094	29,297	35,284	435,339
Income and expenses budget(BVC) 2018	128,563	185,247	33,311	33,894	381,015
Differences from 2018/BVC 2018	(18,899)	75,847	(4,014)	1,390	54,324
Percentage achieved 2018/BVC 2018	85.30%	140.94%	87.95%	104.10%	114.26%
Conducted in 31 December 2017	128,563	189,201	32,152	32,619	382,535
Differences in 2018 from 2017	(18,899)	71,893	(2,855)	2,665	52,804
Percentage BVC 2018/ achieved 2017	85.30%	138.00%	91.12%	108.17%	113.80%
Share structure 2018	25.19%	59.97%	6.73%	8.10%	100.00%
Share structure 2017	33.61%	49.46%	8.40%	8.53%	100.00%

As it can be seen, in the year 2018 there was a touristic circulation of 435,339 days-tourist, representing an increase compared to the budgeted indicator (381,015 days-tourist) by 14.26%, and an increase compared to the year 2017 (382,535 days -touristic) by 13.80%.

Suitable the tourist traffic, the group recorded operating income following:RON

Indicator	Financial year ended at 31 December 2018	Financial year ended at 31 December 2017	Index 2018/2017 (%)
Turnover, including	46,949,351	34,854,421	134.70%
<i>Income from accommodation</i>	29,528,562	21,016,132	140.50%
<i>Income from catering</i>	13,932,309	10,128,015	137.56%
<i>Rental income</i>	1,139,225	606,151	187.94%
<i>Other income included in turnover</i>	2,349,255	3,104,123	75.68%
<i>Income from disposed fixed assets and non-current assets held for sale</i>	14,673,559	1,382,160	1061.64%
<i>Other income</i>	1,842,160,33	2,749,096,00	67.01%
<i>Revenues associated with the costs of the completed production</i>	0	0	0
Total operational income	63,465,070	38,985,677	162.79%

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NOTE 4 - INCOME FROM DISPOSAL OF FIXED ASSETS AND NON-CURRENT ASSETS HELD FOR SALE

RON

Explanation	Financial year ended at 31 December 2018	Financial year ended at 31 December 2017
Income from disposed fixed assets	12,546,918	0
Income from non-current assets held for sale	2,126,641	1,382,160
Income from disposal of fixed assets and assets held for sale	14,673,559	1,382,160

Income from disposed assets and assets held for sale in 2018 is due to the sale of the following assets:

a) Income from disposed assets:

-the surface of 383 sqm in the Danube Village

- complex Lidia from Venus - hotel building + restaurant building + the adjoining terrain

-Flora villa in Eforie Nord - the building and the surrounding land

b) Income from assets held for sale:

-Carmen's Snack Bar in Eforie Nord

-hotel Riviera in Eforie Sud - building

-Saturn Building - building and the adjacent land

NOTE 5 - EMPLOYEE BENEFITS EXPENSES. INFORMATION REGARDING EMPLOYEES AND MEMBERS OF THE ADMINISTRATION BOARD AND MANAGEMENT

Employee benefits expenses are presented as follows:

RON

Explanation	Financial year ended at 31 December	Financial year ended at 31 December 2017
Salaries	13,028,278	9,341,474
Social security contributions	803,481	2,605,342
Provisions for employee benefits	0	0
Meal vouchers expenses	254,548	291,043
Total	14,086,307	12,237,858

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NOTE 5 - EMPLOYEE BENEFITS EXPENSES. INFORMATION REGARDING EMPLOYEES AND MEMBERS OF THE ADMINISTRATION BOARD AND MANAGEMENT (CONTINUED)

- 1) The Group has not contracted obligations of payment of pensions to former members of the Board of Directors, management and supervision therefore it has not accounted such obligations.
- 2) The Group has not granted and will not grant loans or advances (except for salary advances and/or delegation expenses) to the members of the Board and management. The Group has not booked such obligations at the end of 2016.

Employees:

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

No.	Indicator	Average number 2018	No, at 31.12.2018	Average number 2017
1	Permanent staff, showing separately:	111	146	149
	a) TESA staff	<i>40</i>	<i>42</i>	<i>44</i>
	b) Operative staff	<i>71</i>	<i>104</i>	<i>105</i>
2	Seasonal staff	30	242	243
3	Total staff	141	388	392

The Group has not undertaken obligations for pension plans other than the one stated by Law no, 263/2010 on the unitary system of public pensions, with the subsequent updates.

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NOTE 6 - OPERATIONAL EXPENSES (EXCEPT EMPLOYEE BENEFITS)

RON

No.	Operational Expenses	Financial year ended at 31 December 2018	Financial year ended at 31 December 2017
1	Expenses related to inventories:	7,613,704	6,225,155
<i>1.1</i>	<i>Raw materials and consumables expenses</i>	2,601,963	2,353,662
<i>1.2.</i>	<i>Materials in form of small inventories and packaging expenses</i>	578,708	422,436
<i>1.3.</i>	<i>Merchandise expenses</i>	4,433,033	3,449,057
2	Utility expenses	2,781,227	2,279,987
3	Amortization/depreciation and impairment expenses of fixed assets	7,243,810	7,268,161
4	Expenses from disposed assets and non-current assets held for sale:	7,257,886	712,351
5	Other taxes, duties and similar expenses	4,384,556	3,257,647
6	External performance expenses	5,644,659	3,583,838

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NOTE 7 – SPECIFIC ACTIVITY TAX, CURRENT TAX AND DEFERRED TAX, EARNINGS PER SHARE (CONTINUED)

Starting from January 1st 2017, according to Law 170/ 2016 on the specific activities tax, the legal Romanian persons which on 31 December 2016 have simultaneously fulfill the conditions:

- They were entered in Articles of Association, as a principal or secondary activity one of the activities corresponding to CAEN 5510 - " Hotels and other accommodation facilities',

5520 - "facilities for accommodation for holidays and periods of short duration", 5530 - "Parks for caravans, camping and camps", 5590 - "Other accommodation services", 5610 - "Restaurants", 5621 - " Food services activities (catering) for events", 5629 - "Other food services activities", 5630 - "Bars and other a beverage serving activities";

- Which actually carries on activities in the areas referred to in the preceding subparagraph;

- Not in liquidation, according to the law, are liable to pay tax to specific activities.

The Group shall carry out their activities subject to specific activity tax (CAEN code 5510, 5610 and 5630) via:

- A number of 21 Hotel resort (hotel restaurant bar) with a capacity of the marketable production of 6,808 places of accommodation 4,952 places in restaurants and 674 seats in pubs/café's;

- buffet with a capacity of 30 seats and a commercial area of 46 square meters.

In accordance with the provisions of Article 5(2) of the detailed rules for the application of Law no.170/2016, e parent company calculated the specific tax for the period of the calendar year for which it carries out the activity, the period being set from the opening of the unit until the last day of the validity of the operating license for the units in the district of Mangalia mayoralty, and for the ones from the rayon of the municipality of Eforie, as no operating permits are issued for the hotel units, the entire period of the year was taken into account..

In table no.1 we present a summary of specific activity tax for 2018, in table no 2, 3, 4, the specific activity tax calculation on each resort, and in table no 5 the calculation for each hotel :

TABLE no.1

Nr. no	Indicators	TOTAL year 2018	Total complex hotelier (hotel+ restaurant + bar)	Total 4 stars	Total 3 stars	Total 2 stars	Total alimentație publica
1	Accommodation places	6,580	6,580	992	3,446	2,142	0
	number of places buffet – independent catering	30	0	0	0	0	30
2	Standard specific activity tax (k)	0	0	271	171	113	1,400
3	Specific activity tax /unit/ no. of days according to schedule of	439,629	429,591	154,895	158,277	116,420	10,038

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NOTE 7 – SPECIFIC ACTIVITY TAX, CURRENT TAX AND DEFERRED TAX, EARNINGS PER SHARE (CONTINUED)

TABLE no.2

Nr. no	Indicators	Total 4 stars	4 stars		
			Complex Brad-Bran-Bega		Cleopatra
1	Accommodation places	992	146	292	554
2	Standard specific activity tax (k)		271	271	271
3	Number of working days according to the opening and closing schedule 2017		365	365	88
4	Specific activity tax /unit 2018 (RON)	154.895	39,566	79,132	36,197
5	The period for which the specific tax was calculated		01 jan - 31 dec	01 jan - 31 dec	16 jun - 11 sept

TABLE no. 3

Nr. No	Indicators	Total 3 stars	3 stars							
			Hora	Balada	Sirena	Cerna	Raluca	Lidia	Narcis	Siret
1	Accommodation places	3,446	566	566	566	298	260	244	640	306
2	Standard specific activity tax (k)		171	171	171	171	171	171	171	171
3	Number of working days		131	93	100	91	71	90	88	100
4	Specific activity tax /unit (RON)	158,278	34,737	24,661	26,517	12,705	8,648	10,288	26,386	14,336
5	The period for which the specific tax was calculated		23 may -30 sept	15 jun-16 sept	08 jun-16 sept	18 jun-16 sept	22 jun- 10 sept	14 jun -10 sept	16 jun-10 sept	08 jun-16 sept

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TABLE no. 4

Nr · No	Indicators	Total 2 stars									
			Prahova	Mures	Aida	Gloria	Capitol	Diana	Venus	Vraja Marii	Atena
1	Accommodation places	2,142	306	306	448	216	218	234	208	60	146
2	Standard specific activity tax (k)	0	0	0	0	0	0	0	0		
3	Number of working days		113	113	113	113	113	113	113	113	113
4	Specific activity tax /unit/ (RON)	116,419	7,673	7,389	10,818	6,286	24,634	26,442	23,504	6,780	2,893
5	The period for which the specific tax was calculated		18 jun-07 sept	24 jun-10 sept	24 jun-10 sept	30 may- 31 aug	01 jan- 31 dec	01 jan- 31 dec	01 jan- 31 dec	01 jan- 31 dec	29 jun- 01 sept

TABLE no. 5

No.	Indicators/Coefficients	Total public services	Cold baths buffet
1	Number of places initially	60	60
2	Number of places decreased	30	30
3	Standard tax value(k)	1,400	1,400
4	The variable according to the ranking of the locality(x)	5	5
5	The variable of the effective area of the location (y)	21	21
6	Seasonality coefficient(z)	0.3	0.3
7	Write-down coefficient for the technical area (q)	0.9	0.9
8	$F=k*x*y*z*q(RO\text{N})$	10,038	10,038

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NOTE 7 – SPECIFIC ACTIVITY TAX, CURRENT TAX AND DEFERRED TAX, EARNINGS PER SHARE (CONTINUED)

In accordance with the requirements of art.10 of Law 170/2016, related to specific activities tax for some activities taking into consideration that the entity derives revenues from other activities that aren't included in the corresponding CAEN codes subjected to the specific activity tax, applying for these activities the declaration and payment system of the tax profit provided by Law no. 227/2015 with subsequent amendments and supplements.

The differences between regulations issued by the Ministry of Public Finance of Romania and accounting principles applied in preparing these financial statements generate temporary differences between the carrying amount and the tax base of certain assets and liabilities,

No.	Explanation	THR Marea Neagră SA (RON)	Balneoterapia SRL (RON)
1	Total income, of which:	22,211,932	2,798,008
2	Non-taxable income	969,660	0
3	Items similar to income total, of which:	1,215,682	0
4	Taxable income	22,457,954	2,798,203
5	Total expenses, of which:	21,714,865	2,996,268
	<i>Non-deductible expenses</i>	<i>5,275,043</i>	<i>0</i>
	Current income tax expenses	930,777	
	Income deferred tax expenses	109,434	0
6	The difference between the accounting and tax depreciation	(16,723)	0
7	Legal reserve tax profit	1,537,278	0
8	Taxable profit / (tax loss)	5,836,855	(198,065)
9	Legal reserve	76,864	0
10	Tax profit due	933,897	0
11	Fiscal credit	3,120	0
12	Profit tax on payment	930,777	0

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NOTE 7 - CURRENT TAX AND DEFERRED TAX. EARNINGS PER SHARE (CONTINUED)

Earnings per share

Earnings per share is calculated by dividing the net profit attributable to shareholders of the Group for the financial year 2018 amounted to **9,400,951 RON** on weighted average number of ordinary shares in circulation to 578,949,939 adjusted with self-owned shares value. Diluted earnings per share is determined by adjusting net profit attributable to ordinary shareholders and the weighted average number of shares outstanding, adjusted with self-owned shares value, dilution effects of all potential ordinary shares.

Profit attributable to ordinary shareholders

	RON	
	2018	2017
Profit (loss) for the period	9,400,951	1,616,036
Profit (loss) for the period attributable to ordinary shareholders	9,400,951	1,616,036
Weighted average number of ordinary shares	578,949,939	578,949,939
Ordinary shares issued at 1 January	0	0
Effect of self -owned shares held		
Weighted average number of ordinary shares at 31 December	578,949,939	578,949,939
Earnings per share (basic)	0.0162	0.0028
Profit attributable to ordinary shareholders (basic)	9,400,951	1,616,036
Convertible bonds interest expenses after tax		
Profit attributable to ordinary shareholders (diluted)	9,400,951	1,616,036
Weighted average number of ordinary shares (diluted)	578,949,939	578,949,939
Weighted average number of ordinary shares (basic)	578,949,939	578,949,939
Effect of conversion of convertible bonds		
Effect of share options issued		
Weighted average number of ordinary shares (diluted) at 31 December	578,949,939	578,949,939
Earnings per share (diluted)	0.0162	0.0028

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NOTE 8 - TANGIBLE NON-CURRENT ASSETS

	RON					
Description	Property	Plant	Equipment	Furniture and Fixtures	Advance payments for assets and work in progress	Total
0	1	2	3	4	5	6
Cost or assumed cost						
Balance at January 1, 2017	83,619,733	111,794,978	20,983,600	16,490,755	1,355,732	234,244,797
Acquisitions	0	4,414,180	20,791	24,874	4,247,446	8,707,291
Reclassification of small inventory to fixed assets (Growth)	547,563	0	0	0	0	547,563
Disposals of non-current assets	(24,428,840)	(2,852,666)	(30,624)	(3,923)	(4,611,894)	(31,927,946)
Balance at December 31, 2017	59,738,456	113,356,492	20,973,768	16,511,706	991,284	211,571,705
Balance at January 1, 2018	59,738,456	113,356,492	20,973,768	16,511,706	991,284	211,571,706
Acquisitions	0	5,059,156	291,015	836,506	6,617,406	12,804,083
Reclassification of small inventory to fixed assets (Growth)	0	50			0	50
Disposals of non-current assets / Impairments	(1,142,908)	(5,888,245)	(235,234)	(36,497)	(6,150,220)	(13,453,104)
Balance at December 31, 2018	58,595,548	112,527,453	21,029,548	17,311,715	1,458,470	210,922,735
Depreciation and impairment losses						
Balance at January 1, 2017	4,118	3,120,156	9,490,475	5,408,279	0	18,023,028
Period depreciation	0	3,261,267	2,203,990	1,556,838	0	7,022,095

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Description	Property	Plant	Equipment	Furniture and Fixtures	Advance payments for assets and work in progress	Total
Impairment losses	0	0	0	0	0	0
Buildings Depreciation	0	(46,637)	(15,813)	(1,349)	0	(63,799)
Balance at December 31, 2017	4,118	6,334,786	11,678,653	6,963,767	0	24,981,324
Balance at January 1, 2018	4,118	6,334,786	11,678,653	6,963,767	0	24,981,324
Period depreciation		3,450,758	2,016,494	1,531,694		6,998,946
Impairment losses		(484,108)	(120,870)	(38,460)		(643,438)
Balance at December 31, 2018	4,118	9,301,436	13,574,277	8,457,001	0	31,336,832
Balance at January 1, 2017	83,615,615	108,674,822	11,493,125	11,082,476	1,355,732	216,221,770
Balance at December 31, 2017	59,734,338	107,021,706	9,295,115	9,547,939	991,285	186,590,383
Balance at January 1, 2018	59,734,338	107,021,706	9,295,115	9,547,939	991,284	186,590,382
Balance at December 31, 2018	58,591,430	103,226,017	7,455,272	8,854,715	1,458,471	179,585,905

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NOTE 8 - TANGIBLE NON-CURRENT ASSETS (CONTINUED)

On 31.12.2015 the group made the last revaluation of tangible non-current assets.

The Group revalued tangible non-current assets in the following years: 1999. 2002. 2003. 2005. 2007. 2009. 2011. 2012.

If the carrying amount of an asset is increased as a result of a revaluation, the increase shall be recognized in other comprehensive income and accumulated in equity under the heading of revaluation surplus. However, the increase shall be recognized in profit or loss to the extent that it reverses a revaluation decrease of the same asset previously recognized in profit or loss. If the carrying amount of an asset is impaired as a result of a revaluation, the decrease shall be recognized in profit or loss. However, the decrease shall be recognized in other comprehensive income to the extent that the revaluation surplus shows a credit balance for the asset. Reduction recognized in other comprehensive income reduces the amount accumulated in equity under the heading of revaluation surplus.

Revaluation differences recorded by the group on 31.12.2018 related assets located in its patrimony are 105,238,279 RON and cannot be distributed to shareholders

The revaluation differences according to the nature of the fixed assets have the following composition:

Description	2018	2017
Land revaluation reserves	89,675,312	90,956,743
Construction revaluation reserves	12,663,454	13,658,937
Reserves from revaluation of other tangible assets	2,899,513	2,944,026
Total revaluation reserves	105,238,279	107,559,706

For tangible assets registered in the company's assets there were no changes in the method of determining the depreciation of tangible assets and no assets or parts of the expense expense on other expenses were reclassified.

The Company has entered into a contract with Porsche Mobility SRL to take over from Transilvania Travel SRL its rights and obligations arising from the Operational Leasing Contract having as object a Volkswagen Passenger. In the case of this lease, leasing payments, which include rents, administration fees, tire management, RCA, plane, etc. are recognized for the whole period of the contract as an expense.

Regarding tangible non-current assets, the Group has no restrictions on the ownership title.

The company owns as of 31.12.2018:

- all assets in the patrimony;
- land with a total area of **455,647.36** sqm (462,640.96 sqm existing at the beginning of the year, of which sold 6,993.60 sqm of Lidia complex in Venus, Saturn Confectionery, Flora Villa in Eforie Nord, Snack Bar Carmen Eforie Nord and a lot within the Danube Holiday Village) obtained as follows:
 - 414,201.82 square meters on the basis of certificates of ownership issued by the Ministry of Tourism for: Saturn SA, Venus SA, Eforie Nord SA, Eforie Sud SA and the surrender protocol between Neptun-Olimp S.A. and Miorița Estival 2002 SA;
 - 17,278.70 sqm purchased from the Eforie Nord City Hall in accordance with the sale and purchase contracts;
 - 24,166.84 sqm following the exchange with Mangalia City Hall and Eforie Nord City Hall.

TURISM, HOTELURI, RESTAURANTE MAREA NEAGRA S.A., a company managed in a two-tier system**STATEMENT OF CONSOLIDATED CASH FLOWS****FOR THE FINANCIAL YEAR ENDED AT 31 DECEMBER 2018****(All amounts are presented in RON)****NOTE 8 - TANGIBLE NON-CURRENT ASSETS (CONTINUED)****Assets pledged, mortgaged, restricted**

On December 31, 2018, the Company has mortgages on the assets of Complex Hotel - Sirena Restaurant in Saturn and the related land in favor of BCR, the value of the guaranteed loan amounting to 7,500,000 RON, as at 31.12.2018 being unused.

Investments

In 2018, the parent company made investments amounting to 8,626,767 RON (including VAT), which we present in the table below:

RON

No.	Unit	The investment objective	Total value of which:	Construction	Facilities
1	Hotel Diana	Interior work, Furniture and carpets, Wood carpentry of wood	1,045,976	662,933	383,043
2	Restaurant Cerna	Kitchen extension, kitchen equipments, construction works, plumbing, painting, electrical installations	929,446	720,776	208,670
3	Hotel Venus + CT	Carpet rooms and halls, furniture, mounted tiles 1880 sqm, painting, wood carpentry 450 sqm, modernization of electrical panels CT	902,878	600,148	302,730
4	Hotel Sirena	Underfloor heating systems, Chiller, Design, installation of boiler, electrification and automation	621,288	621,288	0
5	Hotel Balada	Door rooms 1,2,8-13, carpets 1,2,8-13, Rehabilitation of electrical panels	618,077	618,077	0
6	Restaurant Venus	Hygiene kitchen space, lounge and terrace modernization, carpentry replaced, self-service line fitting, partial kitchen area rehabilitation, sanitary rehabilitation small parter salon, self-service line	586,215	507,929	78,286
7	Hotel Raluca	Rehabilitation of facades	294,996	294,996	0
8	Sediu administrativ	Air conditioning, Intangible assets (licenses, works projects), electronically archived houses	288,839	14,278	274,560
9	Piscina BBB, Raluca, Balada, Cleopatra	Interior, exterior rehabilitation	191,257	191,257	0
10	Sediu Administrativ	Clarvision Economic Management System	170,925	170,925	0
11	Hotel Bega	Construction work, plumbing, painting, electrical installations	156,700	156,700	0
12	H. Cleopatra, R. Cleopatra, H.+R. Sirena, H+R. Lidia,	Preparation of ISU documentation	125,690	125,690	0
13	Hotel Cleopatra	Door halls access, anti-fire doors	118,829	118,829	0

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NOTE 8 - TANGIBLE NON-CURRENT ASSETS (CONTINUED)

14	Hotel Capitol	Modernization of electric panels, refurbishment of 12 bathrooms	100,051	100,051	0
15	Hotel Aida	fire scale	95,248	95,248	0
16	Plaja Sector 1 Saturn	Furnishing, beach design	92,839	0	92,839
17	Restaurant Capitol	Hidroizolație zona bucătărie, vestiare, modernizare tablouri electrice	85,275	85,275	0
18	Hotel Gloria	Modernization of electrical panels	82,195	82,195	0
19	Hotel Cerna	Rehabilitation of sanitary groups and underground installations	75,626	75,626	0
20	Hotel Vraja Mării	Modernization of electrical panels, rehabilitation of balconies, exterior painting	67,887	67,887	0
21	Sediu Administrativ	BITSOFT - intangible assets (OPERA-Clarvision and MC-Clarvision interfaces)	57,259	57,259	0
22	Restaurant Bega + Brad	Kitchen equipments, fans	53,304	46,494	6,810
23	Restaurant Balada	Exterior aesthetics, kitchen equipments	52,568	41,557	11,011
24	Restaurant Narcis	Rehabilitation (completion of work commenced in 2016)	23,614	23,614	0
25	Restaurant Aida	Fitting locker rooms	20,003	20,003	0
263	Hotel Prahova	repairing the facade	33,095	33,095	0
27	Units of THR Marea Neagră	Construction work, plumbing, painting, electrical installations	359,306	359,306	0
		TOTAL INVESTMENTS (lei excluding VAT)	7,249,384	5,891,436	1,357,948
		VAT	1,377,383		
		TOTAL INVESTMENTS (lei including VAT)	8,626,767		

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NOTE 9 - INTANGIBLE ASSETS

	RON	
EXPLANATION	31 December 2018	31 December 2017
I) Book value of intangible assets:	2,592,415	2,401,518
Licenses + projects	1,794,851	1,729,643
Other intangible assets	797,564	671,875
II) Decreases (amortization):	2,229,702	1,986,532
Licenses + projects	1,632,743	1,416,155
Other intangible assets	596,959	570,377
III) Net book value	362,713	414,986
a) Licenses + projects	162,108	313,488
b) Other intangible assets	200,605	101,498

NOTE 9 - INTANGIBLE ASSETS (CONTINUED)

The increase is mainly due to the execution of mandatory works under ISU legislation in force (Preparation of ISU Authorization Reports, preparation of fire intervention plans), implementation of new interfaces between the OPERA program, used in the receptions of hotels operated by THR Marea Black SA and the Clarvision accounting program, as well as the installation of some interfaces between the Materials Control program used in public catering establishments and the Clarvision accounting program.

All intangible assets have defined useful life, amortization method is linear in all cases for the useful life. According to the accounting policy adopted in the Group, life duration is up to 20 years for concessions, patents, licenses and up to 3 years for other assets. Intangible assets are booked at their cost.

All intangible assets are pointed in their cost value.

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NOTE 10 –INVESTMENT PROPERTY

Investment properties are measured at using the fair-value model, and are disclosed as follows:

RON		
Explanation	31 December 2018	31 December 2017
Complex Claudia (land+building)	0	1,484,529
Complex Minerva (land+building)	821,980	807,441
Complex Miorita (land+building)	7,883,371	7,819,118
Complex Semiramis (land+building)	6,247,559	5,968,634
Atelier Mecanic Saturn land	675,880	675,272
Semiramis beach buffet land	436,510	436,118
Total	16,065,300	17,191,112

Assets classified as investment properties were evaluated by independent evaluators (IPIEV Consulting) in a corporate member of ANEVAR. with certificate number 0250 - 01/01/2016. The company's headquarter is located in Bucuresti. Nicolae Grigorescu Bvd. nr. 29A. bl. N22. sc. B. et. 4. ap.53. sector 3. Its trade registration number is J40 / 10356/2001 and it is a corporate member of ANEVAR certified by nr. 0250/01.01.2016.

The approaches used in the evaluation were: cost approach - replacement cost method and income approach – discounted future cash-flow method.

Analyzing all estimated values according to the approach. in the present case. the selected property value is obtained by the cost approach. given the purpose of the assessment made.

For assets recognized as investment property there are leases signed. Rental incomes are recognized in the income statement and are presented in Note 4 - Income from operating activities.

The inputs used in measuring fair value techniques are classified by level 2, comprising inputs other than quoted prices included in Level 1 that are observable for the asset or liability in question, either directly or indirectly,

Level 2 Inputs include quoted prices in active markets for similar assets or liabilities, quoted prices in markets that are not active for identical or similar assets or liabilities, observable inputs other than quoted prices for the asset or liability and data input or results mainly in conjunction with observable market data by correlation or other means.

In 2018, the Claudia Complex (building + land) was reclassified as an asset held for sale;

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NOTE 10 – INVESTMENT PROPERTY (CONTINUED)

Fair value adjustments to assets classified as investment property in profit and loss at the end of 31.12.2018, and after evaluation:

Explanation	31 December 2018			31 December 2017		
	Gains from fair value measurement of investment properties	Losses from fair value measurement of investment properties	Gains/Losses	Gains from fair value measurement of investment properties	Gains/losses from fair value measurement of investment properties	Gains/Losses
Complex Claudia (land+building)	0	0	0	108,475	0	108,475
Complex Minerva (land+building)	14,539	0	14,539	57,861	0	57,861
Complex Miorita (land+building)	64,253	0	64,253	703,336	0	703,336
Complex Semiramis (land+building)	278,925	0	278,925	180,202	0	180,202
Machine Shop Saturn – land	608	0	608	43,688	0	43,688
Semiramis beach buffet – land	392	0	392	49,738	0	49,738
Total	358,717	0	358,717	1,143,300	0	1,143,300

NOTE 11 – FINANCIAL ASSETS

Securities are recognized in the financial statements in accordance with IAS 27 (reviewed in 2010). IAS 36 (reviewed in 2009). IAS 39 (reviewed in 2009) and IFRS 7 (issued in 2008). According to these 4 standards, the company adopted the following policy for the recognition and valuation of shares and securities:

- investments in subsidiaries, jointly controlled entities and associates are recognized at cost,
- short-term investments held for sale unlisted on the stock exchange market are recorded at cost. For value depreciation, the company makes adjustments (the depreciation treatment for these securities is determined by IAS 39, paragraph 63) ,
- short-term investments held for sale listed, on the stock exchange market, are recorded at fair value (the value of trading on the last day of the year). In case of winnings or losses, they will be recognized in equity. If there are any indicators of impairment (as presented in paragraph 59 of IAS 39), as well as gains and losses from exchange rate differences, the loss of value is recognized in the period result. Related to Transilvania Hatels & Travel participation, THR has recognize at December, 31 2018 a total impairment due the insolvency of this company.

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(All amounts are presented in RON)

NOTE 11 – FINANCIAL ASSETS (CONTINUED)

Other investment	31 December 2018			31 December 2017		
	Book value	Impairment	Net book value	Book value	Impairment	Net book value
Long-term investments						
Shares at Transilvania Hotels&Travel S.A.	0	2,432,010	2,432,010	2,432,010	0	2,432,010
Long-term investments	0	2,432,010	2,432,010	2,432,010	0	2,432,010

Long term securities are recognized in the financial statements in accordance with IAS 27 Consolidated and Separate Financial Statements, at cost. Securities that fall into the first category consist of equity of Transilvania Hotels&Travel SA being recognized at financial assets:

RON

Company	Share capital %	31 December 2018	31 December 2017
Transilvania Hotels&Travel SA	32.059%	2,432,010	2,432,010

Transilvania Hotels&Travel SA has a share capital of 7,586,120 RON, comprising 3,034,448 shares with a nominal value of 2.5 RON/share and has the registered office: Maria Rosetti Street, No. 35, branch 2, Bucuresti.

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NOTE 12 – INVENTORIES

Inventories	RON			
	Book value (RON) at 31.12.2018	Balance at 31.12.2018	Adjustments for depreciation 31.12.2017	Book value (RON) at 31.12.2017
Raw materials	218,990	240,498	459,488	430,763
Materials of the nature of inventory objects	40,597	10,021	50,619	2,617
Finished goods	0	0	0	0
Raw materials and consumables at third parties	0	0	0	0
Merchandise	29,398	0	29,398	4,152
Packaging materials	4,621	0	4,621	4,621
Advances for inventories acquisitions	612	0	612	0
Total	294,218	250,519	544,737	442,154

Stocks of materials are the nature of materials purchased for investment and repair work. Considering that some materials are very old and are not expected to be used in a too close time, they were adjusted in 2018 in the sense of depreciation with the amount of 212,215 RON.

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NOTE 13 – RECEIVABLES

Receivables are presented in the financial statements depending on the nature of them (trade receivables and other receivables) at the likely amount to be collected.

No	Name	Receivables at 31.12.2018	Allowances at 31.12.2018	Net book value of receivables 31.12.2018	Net book value of receivables 31.12.2017	Variation of receivables 2018/2017 (%)
1	Trade receivables and other receivable from which:	2,566,175	1,727,934	4,294,109	4,933,051	52.02%
1.1.	Trade receivables from which:	794,963	1,727,934	2,522,897	1,566,343	50.75%
	<i>Transilvania Hotels & Travel SA</i>	3,664	<i>443,593</i>	447,257	<i>670,329</i>	0.55%
1.2.	Receivables from state budget	1,593,574		1,593,574	3,227,959	49.37%
1.3.	Debtors active sales	0		0	0	
1.4.	Sundry debtors	27,113		27,113	216	12552.12%
1.5.	Other receivables	150,526		150,526	138,533	108.66%
2	Current income tax receivables	38,336		38,336	38,336	100.00%
	Total	2,604,511	1,727,934	4,332,445	4,971,387	52.39%

The receivables of the Group recorded as of December 31, 2018 a reduction of 47.61% compared to the receivables recorded at 31.12.2017, and consist of:

- commercial receivables represented by tourist services and other services rendered by THR Marea Neagra to third parties, amounting to 2,566,175 RON which have been adjusted with the amount of 1,727,934 RON representing debts older than one year for the services rendered to Rugby Club Constanta, Mareea Comtur SRL, Transilvania Hotels & Travel SA, Romanian Boxing Federation, Sind Tour Operator, ACS Cuza Sport, Ager Construct and Remat Sud Mangalia;
- receivables to the state budget represented mainly by VAT to be recovered in the amount of 1,547,848 RON;
- other receivables are represented mainly by the interest receivable at deposits with BCR in the amount of 46,049 RON, various attachments of ANAF which in January 2019 will extinguish from the debts of the company to the State Budget, BEJ attachments to be repaid at the beginning of 2019.

Depending on their age, the book value of receivables is:

Receivables	Total at 31.12.2018	Under 30 days	30-180 days	181-365 days	>1 year
Trade receivables and other receivable from which:	4,294,109	183,647	1,288,176	552,836	2,269,450
Trade receivables from which:	2,522,897	75,224	685,558	32,520	1,729,595
<i>Transilvania Hotels & Travel SA</i>	<i>447,257</i>	<i>0</i>	<i>3,664</i>	<i>0</i>	<i>443,593</i>
Receivables from state budget	1,593,574	8,743	562,204	514,963	507,664
Debtors active sales	0	0	0	0	0
Sundry debtors	27,113	10,913	10,805	5,245	149
Other receivable	150,526	88,767	29,608	108	32,042
Current income tax receivables	38,336	0	0	0	38,336
Total	4,332,445	183,647	1,288,176	552,836	2,307,786

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NOTE 14 - ACCRUED EXPENSES

RON

Accrued expenses	31.dec.2018	31.dec.2017
Wear inventory items	853,622	742,361
The annual activity fee for mineral resource exploration	0	137
Tax vignette	230	184
Tax and local tax expenses	56	0
Insurance policies (CASCO, RCA, events, civil liability administrator, manager)	41,384	39,334
Total accrued expenses	895,292	782,016

NOTE 15 - CASH AND CASH EQUIVALENTS

RON

Explanation	31.12.2018	31.12.2017
Bank accounts in RON	27,955,140	5,609,914
Bank account in foreign currencies	1,587	900
Petty cash in RON	26,868	19,388
Other values	2,308	5,603
Total	27,985,903	5,635,805

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NOTE 16 –NON-CURRENT ASSETS HELD FOR SALE

							RON
NO	Category	Book value of non-current assets held for sale in 2018	Book value of assets disposed or disposed through reclassification in 2018	Book value of non-current assets held for sale at 31.12.2018	Book value of non-current assets held for sale in 2017	Book value of non-current assets sold in 2017	Book value of non-current assets held for sale at 31.12.2017
1	Restaurant Minerva	239	0	149,672	149,433	0	149,433
2	Restaurant Sulina	1,353	0	89,705	88,351	0	88,351
3	Restaurant Dunarea	1,611	0	176,298	174,688	0	174,688
4	Complex Atena (hotel + restaurant)	11,059	0	1,322,520	1,311,461	0	1,311,461
5	Complex Tosca (Hotel + restaurant + buffet)	30,366	0	2,920,388	113,049	0	2,890,022
6	Stop on the tour Saturn	239	0	32,452	32,213	0	32,213
7	CP 3 Saturn	3,021	0	182,082	179,061	0	179,061
8	Restaurant Pelican	0	0	145,092	145,092	0	145,092
9	GG Jupiter	0	0	451,633	451,633	0	451,633
10	Bakery Saturn	0	19,035	0	19,035	0	19,035
11	Restaurant Mercur	0	0	0	4,110	117,790	0
12	Complex Venus (Hotel + restaurant)	0	0	0	0	1,010,910	0
13	Garden/restaurant Rapsodia	0	0	315,431	264,658	43,912	315,431
14	Hotel Ancora	0	0	258,532	0	0	258,532
15	Complex Capitol (Hotel + restaurant)	185,326	0	729,210	60,862	0	543,884

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NO	Category	Book value of non-current assets held for sale in 2018	Book value of assets disposed or disposed through reclassification in 2018	Book value of non-current assets held for sale at 31.12.2018	Book value of non-current assets held for sale in 2017	Book value of non-current assets sold in 2017	Book value of non-current assets held for sale at 31.12.2017
16	Hotel Gloria	82,195	0	567,435	43,414	0	485,240
17	Complex Magura (Hotel + restaurant)	0	0	1,526,033	32,881	0	1,526,033
18	Hotel Riviera	0	464,177	0	0	0	464,177
19	Hotel Meteor	0	0	246,812	246,812	0	246,812
20	CT Neon	0	0	0	75,334	205,370	0
21	Complex Claudia (Hotel + restaurant)	438,652	0	438,652	0	0	0
	TOTAL BUILDINGS	754,061	483,212	9,551,947	3,392,088	1,377,981	9,281,098
1	Land Restaurant Minerva	0		1,813,760	1,813,760		1,813,760
2	Land Restaurant Sulina	0		1,458,496	1,458,496		1,458,496
3	Land Restaurant Dunarea	0		1,183,104	1,183,104		1,183,104
4	Land Complex Atena (hotel + restaurant)	0		1,251,952	1,251,952		1,251,952
5	Land Complex Tosca (Hotel + restaurant + buffet)	0	0	2,602,496	0	0	2,602,496
6	Land – stop on the tour Saturn	0		15,890,160	15,890,160		15,890,160
7	Land CP 3 Saturn	0		791,024	791,024		791,024
8	Land Restaurant Pelican	0		668,304	668,304		668,304
9	Land GG Jupiter	0		1,080,560	1,080,560		1,080,560
10	Land - Bakery Saturn	0	127,504	0	127,504		127,504

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NO	Category	Book value of non-current assets held for sale in 2018	Book value of assets disposed or disposed through reclassification in 2018	Book value of non-current assets held for sale at 31.12.2018	Book value of non-current assets held for sale in 2017	Book value of non-current assets sold in 2017	Book value of non-current assets held for sale at 31.12.2017
11	Land Restaurant Mercur	0	0	0	0	222,949	0
12	Land Complex Venus (Hotel + restaurant)	0	0	0	0	547,563	0
13	Land - Garden Rapsodia	0	0	233,022	0	0	233,022
14	Land - Hotel Sport	0	0	0	163,976	163,976	0
15	Land - Snack Bar Carmen	0	39,050	0	0	0	39,050
16	Land complex Cocorul acces way	0	0	95,483	0	0	95,483
17	Land complex Claudia	1,045,877	0	1,045,877	0	0	0
18	Land 383 sqm in the Vacanta Dunare Village	79,664	79,664	0	0	0	0
	TOTAL LANDS	1,125,541	246,218	28,114,238	24,428,840	934,488	27,234,915
	TOTAL ASSETS HELD FOR SALE	1,879,602	729,430	37,666,185	27,820,928	2,312,469	36,516,013

Non-current assets held for sale are stated at the lower value between the carrying amount and fair value less costs to sell. Any subsequent increase or decrease of value of these assets was recognized in profit or loss, based on a specialized evaluation

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NOTE 16 –NON-CURRENT ASSETS HELD FOR SALE (CONTINUED)

Profit from selling these non-current assets held for sale was recognized in profit and loss account as follows:

2018			2017		
Income from disposal of non-current assets held for sale	Expenses from disposal of non-current assets held for sale	Income from disposal of non-current assets held for sale	Expenses from disposal of non-current assets held for sale	Expenses from disposal of non-current assets held for sale	Profit/Loss
14,673,559	(7,257,886)	7,415,673	1,382,160	(710,084)	672,076

Income from disposal of non-current assets held for sale were included on line 5 of the statement of profit or loss and other comprehensive income and disposal expenses of assets held for sale were presented in row 13 form the statement of comprehensive income.

Assets classified as held for sale were valued according to IFRS at 31.12.2018, the resulting amounts being greater than the amount recorded in the accounting. The bookkeeping of the assets held for sale was made at the carrying amount, ie at the lower value.

NOTE 17 - THE SHARE CAPITAL. OWNERSHIP STRUCTURE AND CHANGES IN CAPITAL

The subscribed and paid up share capital is amounted to 57,894,993.9 RON divided into a number of 578,949,939 shares. During the reporting periods subscribed and paid up share capital did not change.

Of the total number of shares issued and outstanding at December 31, 2018 and December 31, 2017:

- THR Marea Neagra SA does not hold redeemed shares;
- Its subsidiaries do not own shares (none of them is one of the shareholders of SIF Transilvania);

The main characteristics of the securities issued by T.H.R. Marea Neagra S.A.: common, nominative, of equal value and dematerialized shares issued at a nominal value of 0.10 RON / share.

During 2018 the share capital has not changed, the structure of shareholders at 31.12.2018 communicated by BVB:

Shareholders name	Percent(%)	Shares	Capital value(ROn)
SIF Transilvania S,A,	77.7131%	449,920,140	44,992,014,00
Other shareholders	22.2869%	129,029,799	12,902,979,90
TOTAL	100.0000%	578,949,939	57,894,993,90

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NOTE 17 - THE SHARE CAPITAL. OWNERSHIP STRUCTURE AND CHANGES IN CAPITAL (CONTINUED)

The Group has no employee stock grant schemes and there are no restrictions on voting rights. It also has no knowledge of agreements between shareholders which may result in restrictions on the transfer of securities and / or voting rights.

THR Marea Neagră S.A. shares, are listed on the second category of Bucharest Stock Exchange started from 15 august 2002, with symbol "EFO". In the last trading day of 2018, 31.12.2018, the closing price was 0.0924 RON/share, compared to 0.098 RON/share at 30.12.2017.

NOTE 18 - CAPITAL RESERVES. REVALUATION DIFFERENCES

RON

Explanation	31.12.2018	31.12.2017
Revaluation surplus	105,238,279	107,559,706
Reserves	28,188,838	26,881,573
Inflated reserves from application of IAS 29	16,745,901	16,746,301
Total reserve	150,173,018	151,187,580

The revaluation surplus refers to property and plant of the group and it was generated by the revaluations of tangible non-current assets in the years of 1999, 2002, 2003, 2005, 2007, 2009, 201, 2012 and 2015.

The revaluation differences decreased in 2018 mainly on the basis of the assets sold and derecognized, together with their transfer to retained earnings.

The reserves increased in 2018 on the distribution of the net profit of 2017 on other financing sources (741,712 RON) and on account of the distribution of the net profit of 2018 on the legal reserve (565,153 RON).

NOTE 19 - RETAINED EARNINGS

RON

Element name	31.12.2018	Decrease	Increase	31.12.2017
<i>Retained earnings except retained earnings from the adoption of IAS 29 for the first time</i>	55,169,050	3,086,565	5,332,192	52,923,423
Retained earnings representing non-distributed benefits	224,200	2,318,050	2,242,250	300,000
Retained earnings from correction of accounting errors from previous years	0	0	768,516	-768,516
Revaluation surplus transferred to retained earnings	54,944,850	768,516	2,321,427	53,391,939
Retained earnings from adoption of IFRS	0		0	0
<i>Retained earnings came following the application of IAS 29 for the first time</i>	(102,691,275)	0	0	(102,691,275)

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NOTE 20 - OTHER ELEMENTS OF EQUITY

RON

Other elements of equity	31.12.2018	31.12.2017
Deferred tax recognized in equity	(12,491,449)	(12,580,261)
Profit distribution to legal reserve	(565,153)	-110,647
Total Other elements of equity	(13,056,602)	(12,690,908)

NOTE 21 - LIABILITIES, LESS DEFERRED INCOME AND PROVISIONS

Short-term liabilities of the group are amounted to 7,907,551 RON, depending on the time structure of chargeability, as:

RON

Short-term liabilities	Liabilities at 31.12.2017	Liabilities at 31.12.2018	under 30 days	30-90 days	91-180 days	181-270 days	between 270-365 days
Amounts owed to credit institutions	800,000	0	0	0	0	0	0
Trade payables and other liabilities, including derivatives	4,265,210	7,907,551	4,085,871	1,880,357	54,241	8,324	1,878,758
Advances collected for orders:	709,062	2,317,080	71,533	372,833	0	0	1,872,714
Advances received from active sales	0	2,245,547	0	372,833	0	0	1,872,714
Other advances	709,062	71,533	71,533	0	0	0	0
Trade payables	611,912	981,297	981,297	0	0	0	0
Debts to the state budget	280,968	1,437,437	504,530	932,907	0	0	0
Debt with the staff	356,015	451,570	451,570	0	0	0	0
Other liabilities	2,307,253	2,720,167	2,076,941	574,617	54,241	8,324	6,044
Total	5,065,210	7,907,551	4,085,871	1,880,357	54,241	8,324	1,878,758

Short-term debts as of December 31, 2018, less accrued income and provisions, increased by 56.11% compared to the same period last year, due to:

- advances in the amount of 2,245,547 RON received for sale of Assets based on Active Selling Promises (Meteor Hotel, Ancora Hotel and Rhapsody Garden), advances that will close at the time of conclusion of the sale-purchase contracts;
- Guaranties in the amount of 579,180 RON, collected for participation in active buying auctions (Claudia complex, CFR travel agency), which will close at the time of conclusion of the sale-purchase contracts;
- tax on profit calculated at 31.12.2018 in the amount of 930,777 RON;
- service providers.

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NOTE 21 - LIABILITIES, LESS DEFERRED INCOME AND PROVISIONS (CONTINUED)

Depending on the time of chargeability their long-term liabilities are grouped as:

RON

Long-term liabilities	Liabilities at 31.12.2017	Liabilities at 31.12.2018	1-5 years	> 5 years
Long term loans	1,600,000	0	0	0
Trade payables and other liabilities, including derivatives	39,735	65,160	65,160	0
Trade payables	0	0	0	0
Other liabilities	39,735	65,160	65,160	0
Deferred tax liabilities	13,160,564	13,181,185	13,181,185	0
Total	14,800,299	13,246,345	13,246,345	0

NOTE 22 – PROVISIONS

The parent company has no obligations for pension plans other than those provided by Law no. 263/2010 on the unitary pension system, as subsequently amended and supplemented. The collective labor agreement concluded for 2018 provides for a retirement premium at the level of a gross salary.

On December 31, 2018, the Company had the following provisions:

- provision for the amount of **6,000 RON** representing court costs occasioned by the settlement of an older file owed to Balu Eugenia;
- provision for the amount of **577,125 RON** representing claims for the improvement of the villa Flora during its exploitation by Cârja

Vasile in the file no. 3093/118/2016

- Provision for the amount of **9,000 RON** representing claims worth the stolen belongings of the Domuța Maria by unknown authors (tourist accommodated at Sirena Hotel) - File no.10133 / 296/2016

- Provision for the amount of **10,000 RON** representing the amount of 10000 paid by the applicant as a fine for the contravention, the payment of overtime, claims issued by Dumitrașcu Angela in File no.3282 / 118/2018;

- provision for the amount of **22,413 RON** representing additional indemnities for the use of phonograms due to the Union of Phonogram Producers;

- provision for the amount of **78,000 RON** representing taxes and accessories calculated additionally by Eforie City Hall;

- Provision for unpaid leave in the amount of **209,355 RON**;

- additional provision of employee retirement rights in the amount of **12,838 RON**;

- provision for the amount of **41,520 RON** representing court fees, lawyers' fees from files 2639/118/2017 and 4847/212/2010, amount claimed by Mateevici Alexandru, Zellinger, Stoicovici and others in file 15314/212/2018;

TURISM, HOTELURI, RESTAURANTE MAREA NEAGRA S.A., a company managed in a two-tier system

STATEMENT OF CONSOLIDATED CASH FLOWS

FOR THE FINANCIAL YEAR ENDED AT 31 DECEMBER 2018

(All amounts are presented in RON)

NOTE 22 – PROVISIONS (CONTINUED)

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

RON

Explanation	31.12.2018	Provision 31.12.2018	Cancelling provision in 2018	31.12.2017
Provisions for litigation	744,058	721,645	386,715	409,128
Provisions for pensions and similar obligations	247,034	222,193	0	24,841
Total Provisions	991,092	943,838	386,715	433,969

NOTE 23 - RELATED PARTIES TRANSACTION

Compared to 2017, in the year 2018 were carried out transactions with related parties, as set out in the tables below. Values presented include value added tax.

RON

Receivables			
Related parties	Financial year ended at 31.dec.2018	Financial year ended at 31.dec .2017	
Transilvania Hotels&Travel SA	447,257	670,329	
TOTAL	447,257	670,329	
Liabilities			
Related parties	Financial year ended at 31.dec.2018	Financial year ended at 31.dec .2017	
Transilvania Hotels&Travel SA	615,735	223,683	
TOTAL	615,735	223,683	
Sales			
Related parties	Financial year ended at 31.dec.2018	Financial year ended at 31.dec .2017	
Transilvania Hotels&Travel SA	3,036,031	725,601	
TOTAL	3,036,031	725,601	
Acquisitions			
Related parties	Financial year ended at 31.dec.2018	Financial year ended at 31.dec .2017	
Transilvania Hotels&Travel SA	615,735	319,589	
TOTAL	615,735	319,589	

STATEMENT OF CONSOLIDATED CASH FLOWS

FOR THE FINANCIAL YEAR ENDED AT 31 DECEMBER 2018

(All amounts are presented in RON)

NOTE 23 - RELATED PARTIES TRANSACTION (CONTINUED)

According to IAS 24 "Related Party Disclosures" section, 17 specify that:

- outstanding balances of receivables and payables between related parties are related to trade transactions that are made on terms and conditions similar to terms and conditions that would have been accepted by third parties and are not warranted;
- we can not provide additional information on the given or received guarantees as it was not the case;
- we made adjustments for the depreciation of the amount of 443,592.84 RON representing the receivable related to the outstanding balance of Transylvania Hotels & Travel SA, a company in insolvency, with which THR Marea Neagra SA registered at the creditor table in 2017.

NOTE 24 –CONTINGENT ASSETS AND CONTINGENT LIABILITIES

In all THR disputes, it has undertaken the necessary diligence to protect the property right. In some situations, there are some litigations that claim THR assets.

The company is involved in a dispute with the Mangalia City Hall following the tax inspection carried out by it for the period 2008-2012, an inspection completed by the tax inspection report no.57355 / 10.11.2015, on the basis of which two tax decisions were issued, in a total amount of 7,604,311.45 RON.

The execution of the two decisions was suspended by the Constanța Court of Appeal - dossier no.776 / 118/2015, and the effects of the suspension subsisting until the date of the substantive settlement of the court action and which has as object the annulment of the tax decisions.

The Company has recognized and estimated that the amount of 1,577,262 RON representing:

- i) Tax of additional buildings in the amount of 482,520 RON representing the taxation of buildings without applying the 50% reduction granted by art.285 paragraph 2 of the Fiscal Code;
- ii) Additional land tax in the amount of 253.029 RON representing the tax without the 50% reduction provided by art.285 paragraph 2 of the Fiscal Code;
- iii) Accessories related to the tax on buildings and land set up by the control body in the amount of 841,713 RON.

For the difference between the value of the tax on buildings and land determined additionally by the control body and that recognized by the company, they were requested and received on the evaluation reports drawn up by PRECISS CONSULTING SRL on 31.12.2007, 31.12.2009, 31.12.2011 and 31.12.2012 which states that the fair value of the buildings at the time of valuations included the value of the functional elements and facilities and the upgrades made to the buildings to which it relates until the time of the reassessment, which leads to the conclusion that there are no additional risks for the company.

The Company also has the following disputes:

- with the Eforie Mayoralty following a tax inspection for which a provision of 78,000 RON constituted additional tax and accessories calculated as at 31.12.2018;
- with Mareea Comtour SRL travel agency for the recovery of the amount of 1.191.170 RON representing the tourism services provided by the Company to the tourists arriving through the agency Mareea Comtour SRL plus late penalties;
- - with Cârjă Vasile for the cancellation of its claims regarding the restitution by the Company of the value of the rates paid on the basis of the purchase contract for the villa Flora as well as the value of the improvements to the villa for which the Company constituted a provision of 577,125 RON.

STATEMENT OF CONSOLIDATED CASH FLOWS

FOR THE FINANCIAL YEAR ENDED AT 31 DECEMBER 2018

(All amounts are presented in RON)

NOTA 25 - SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS IN APPLYING ACCOUNTING POLICIES

Preparation of financial statements in accordance with IFRS has involved the use of the Group's management to make judgments in applying accounting policies with implications carrying amount of assets and liabilities in the consolidated financial statements, such:

- tangible assets were revalued periodically, The evaluation was done by certified evaluators, members of ANEVAR.
- The fair values are based on market values respectively estimated value for which an asset could be exchanged on the valuation date in a transaction made in objective conditions, after proper marketing action, interested parties that are in full knowledge of the facts. In the absence of current prices in an active market, valuations are prepared by taking into account the aggregate amount of cash flows that could be estimated from the sale of the asset. To the annual net cash flows it is applied a rate of return that reflects the specific inherent risks in order to establish the fair value of the assets.
- assets carried at cost are evaluated for impairment in accordance with the accounting policies of the Group. The assessment for allowance of receivables is made individually and is based on management's best estimate of the present value of the cash flows expected to be received. To estimate these cash flows, the management makes certain estimates on the financial statements of the counterparty. Each impaired assets individually analyzed. Provisions accuracy depends on the estimation of future cash flows for specific counterparties. The amounts of provisions were estimated taking into account the chances of winning of the pending files to the competent courts. Because chances of winning results from the evaluation of the legal department grew, the Group would have to reduce its provisions made for these claims. However, the Group management considered it is not prudent to reverse provisions, and decided to keep them at the level of previous year.
- For the differences in fair value we have performed the calculation of the related deferred tax.

NOTE 26 - SIGNIFICANT RISK MANAGEMENT POLICY

Specific activity, determine the Group's exposure to a variety of general risk, but also specific risks and financial market on that operates. Risk is defined as the possibility of unfavorable deviations to arise, against expected levels due to random fluctuations. Significant risks have a high impact on the Group.

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

In their activity, the Group may face uncontrollable risks, which are generally associated with external factors such as macroeconomic conditions, legislative changes, changes in the competitive environment etc.

Usually, however, the Group faced controllable risks, for which adopted active management policies and procedures (analysis, monitoring and control).

These risks are associated with internal invoices and nature of activity, the complexity of the organizational structure, quality of staff etc.

The main significant risks that the Group has to face, are:

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

STATEMENT OF CONSOLIDATED CASH FLOWS

FOR THE FINANCIAL YEAR ENDED AT 31 DECEMBER 2018

(All amounts are presented in RON)

NOTE 26 - SIGNIFICANT RISK MANAGEMENT POLICY

Interest rate risk

Operating cash flows of the Group are affected by changes in interest rates, mainly in the case of lines of credit contracted depending on ROBOR.

Credit risk

Credit risk is the risk of recording losses or reaching the estimated profits, due to non-fulfillment of financial obligations. THR Marea Neagră SA has sold assets in installments, for which has calculated and collected interest rate. The rest of the price of contracts and interest are secured by mortgages on assets in favor of THR.

Liquidity risk

Liquidity is the ability of the Group to secure the necessary funds to fulfill all direct and indirect payable obligations , at a reasonable price at any time.

Liquidity risk is the risk that the Group may encounter difficulties in fulfilling its contractual obligation associated with financial liabilities that are settled in cash.

An analysis of assets and liabilities has been made, based on the remaining period from the balance sheet date to the contractual maturity date for the financial year 2018, as:

<i>Explanation</i>	Note	Book value	Under 3 months	Between 3 and 12 months	Over 1 year	Indefinite maturity
Assets						
Cash and cash equivalents	15	27,985,903	27,985,903	0	0	0
Trade receivables and other receivables	13	2,604,511	1,051,899	0	4,763	1,547,849
Inventories	12	294,218	157,653	131,944	4,621	0
Expenses in advance		895,292	345,382	164,990	384,919	0
Current assets		235,096,386	0	0	0	235,096,386
Total assets		266,876,310	29,540,837	296,934	394,304	236,644,235
Liabilities						
Provisions	22	991,092	0			991,092
Trade payables and other payables	21	21,153,896	5,966,228	1,941,323	65,160	13,181,185
Deferred income (Grants)		0	0	0	0	0
Total liabilities		22,144,987	5,966,228	1,941,323	65,160	14,172,277
Liquidity surplus in the period		244,731,323	23,574,610	(1,644,389_	329,144	222,471,958
Cumulative liquidity surplus		244,731,323	23,574,610	21,930,220	22,259,364	244,731,322

STATEMENT OF CONSOLIDATED CASH FLOWS

FOR THE FINANCIAL YEAR ENDED AT 31 DECEMBER 2018

(All amounts are presented in RON)

NOTE 26 - SIGNIFICANT RISK MANAGEMENT POLICY (CONTINUED)

Capital management

Group's capital management objectives are to ensure the protection and the ability to reward shareholders, to maintain an optimal capital structure to reduce capital costs.

In order to maintain or change the capital structure, the Group may change the amount of dividends paid to shareholders, shareholders capital yield, issue new shares or sell assets to reduce debts.

The Group monitors the amount of capital raised based on gearing. This rate is the ratio of net debt and total equity. Net debts are calculated as total net cash debts. Total equity is calculated as equity plus net debt.

<i>Explanation</i>	31 December 2018	31 December 2017
Total liabilities (long and short term)	22,144,987	20,299,477
Cash and cash equivalents	27,985,903	5,635,805
Total equity	244,731,323	236,081,038
Net liabilities indicator	(250,572,238)	(221,417,366)

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

Defined policies for managing operational risk have considered each type of events that can generate significant risks and ways of their manifestations, to remove or reduce financial or reputational losses.

NOTE 27 –SUBSEQUENT EVENTS

We have no knowledge about events after the balance sheet date that would lead to significant influence on the data presented in the consolidated financial statements prepared for the financial year 2018.

TURISM, HOTELURI, RESTAURANTE MAREA NEAGRA S.A., a company managed in a two-tier system

STATEMENT OF CONSOLIDATED CASH FLOWS

FOR THE FINANCIAL YEAR ENDED AT 31 DECEMBER 2018

(All amounts are presented in RON)

NOTE 28 - BOARD OF DIRECTORS PROPOSAL FOR ALLOCATING NET PROFIT

At the end of 2018 THR Marea Neagra SA Company has a net profit of 9,823,215 RON, which the Directorate proposes to be distributed as follows:

-The legal reserve in accordance with art. 183 of the Companies Law 31/1990. republished	565,153,00 RON	
- Distribution of dividends to shareholders	4,348,566,52 RON	
- Allocation fund development	4,909,495,48 RON	

The separate financial statements were approved by the Board of Directors on March 14, 2019 and were signed by:

CHAIRMAN OF THE BOARD OF DIRECTORS
NARCISA MOSOIU

CHIEF FINANCIAL OFFICER
MIRCEA CRISTIAN



TURISM, HOTELURI, RESTAURANTE MAREA NEAGRA S.A.

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

Website: www.thrmareaneagra.ro

DECLARAȚIE

Subsemnații NARCISA MOȘOIU în calitate de Director General/Președinte Directorat al T.H.R. Marea Neagră SA și MIRCEA CRISTIAN în calitate de Director Economic/Membru Directorat la T.H.R. Marea Neagră SA, declarăm că pentru anul 2018:

- a) politicile contabile utilizate la întocmirea situațiilor financiare anuale individuale sunt în conformitate cu reglementările contabile aplicabile;
- b) situațiile financiare anuale individuale oferă o imagine fidelă a poziției financiare, performanței financiare și a celorlalte informații referitoare la activitatea desfășurată;
- c) persoana juridică își desfășoară activitatea în condiții de continuitate.

Narcisa MOȘOIU
DIRECTOR GENERAL/PREȘEDINTE DIRECTORAT

Mircea CRISTIAN
DIRECTOR ECONOMIC/MEMBRU DIRECTORAT



TURISM, HOTELURI, RESTAURANTE MAREA NEAGRA S.A.

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Website: www.thrmareaneagra.ro

DECLARAȚIE

Subsemnații NARCISA MOȘOIU în calitate de Director General/Președinte Directorat al T.H.R. Marea Neagră SA și MIRCEA CRISTIAN în calitate de Director Economic/Membru Directorat la T.H.R. Marea Neagră SA, declarăm că pentru anul 2018:

- a) politicile contabile utilizate la întocmirea situațiilor financiare anuale consolidate sunt în conformitate cu reglementările contabile aplicabile;
- b) situațiile financiare anuale consolidate oferă o imagine fidelă a poziției financiare, performanței financiare și a celorlalte informații referitoare la activitatea desfășurată;
- c) persoana juridică își desfășoară activitatea în condiții de continuitate.

Narcisa MOȘOIU

DIRECTOR GENERAL/PREȘEDINTE DIRECTORAT

Mircea CRISTIAN

DIRECTOR ECONOMIC/MEMBRU DIRECTORAT

A.B.A. AUDIT S.R.L.

S.C. A.B.A. Audit S.R.L.

ADRESA: Timisoara, Str. Moise Nicoară , Nr. 11B

CUI: RO 14907434 • Nr. Inreg. ORC: J35/1537/2002

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of

TURISM, HOTELURI, RESTAURANTE MAREA NEAGRĂ S.A MANGALIA

Unmodified opinion

➤ We have audited the accompanying separate financial statements of Turism, Hoteluri, Restaurante Marea Neagră SA Mangalia („the Company”), with headquarters in Mangalia, Lavrion Street, No. 29, identified by unique tax registration number RO2980547 which comprise the statement of financial position as at December 31, 2018, the statement of profit or loss and other comprehensive income, statement of changes in equity, statement of cash flows and notes to separate financial statements for the year then ended, represented by:

➤ Separate financial statements at December 31, 2018, are identified as follows

	RO
- Revenues:	63,544,756N

	RO
- Net profit:	9,823,215N

	RO
- Total assets:	264,037,895N

- In our opinion, the separate financial statements present fairly, in all material respects, the financial position of Turism, Hoteluri, Restaurante Marea Neagră SA Mangalia as at December 31, 2018, and its financial performance and its cash flows for the year then ended in accordance with Accounting Law no. 82/1991, republished, including subsequent amendments and additions, Order of the Minister of Public Finance of Romania no. 881/2012 on application by companies whose securities are admitted to trading on a regulated market of International Financial Reporting Standards and the Order of the Minister of Public Finance no. 2844/2016 for approval of the Accounting Regulations in accordance with International Financial Reporting Standards, including subsequent amendments and additions.

Basis for opinion

- We conducted our audit in accordance with International Standards on Auditing ("ISA"), the EU Regulation No 537 of the European Parliament and of the Council of the European Parliament (the "Regulation") and the Law no. 162/2017 ("the law"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Separate Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. We consider that the audit evidences we have obtained are sufficient and appropriate in order to form a basis for our audit opinion.

Emphasis of matters

5. Without further modified our opinion, we draw attention related to subsequent issues:

5.1. On the separate financial statements prepared by the Company for the financial year ended December 31, 2018, we consider necessary to present the existence of litigations - as disclosed in Note 24 "Contingencies" may involve risks of ownership of assets, along with evidence of losses from other operating activities, as the litigation against Mangalia Tax Department which highlights the risk of increasing debts and additional penalties beyond the amounts recognized and assumed by the Company as at December 31, 2018 depending on evolution of the litigation.

5.2. The Company has proceeded to revalue the buildings classified as tangible assets classified in accordance with IAS 16 at 31 December 2015, with the frequency of review periods no more than three years up to that moment. In accordance with the requirements of IAS 16 *Property, plant and equipment*, revaluations should be performed with sufficient regularity to ensure that the carrying amount does not differ materially from what would have been determined by using the fair value at the end of the reporting period. In the absence of information on estimating the net recoverable amount of non-current assets, we are not in a position to apply other procedures that provide us with reasonable assurance that the net amounts presented in the financial statements at 31 December 2018 does not contain material errors.

Key audit matters

- The key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the financial statements of the current period. These matters were addressed in the context of the audit of the financial statements as a whole, and in forming the auditor's opinion thereon, and the auditor does not provide a separate opinion on these matters.

- *Revenue recognition*

At the level of revenue recognition there are risks of material misstatements like the situations where there may not be recognized by the company's management in accordance with applicable accounting regulations. There may be risks both in terms of the amount of revenue recognized as well as the time of their recognition of possible significant material misstatements regarding the application of the principle of accrual-based accounting.

Our response to these risks of material misstatements have resulted in performing audit procedures with the purpose of: analysis of contracts, testing the revenue recognition method in accordance with the contract clause, to obtain sufficient audit evidence and adequate both in connection with the recognition of revenue, but also with accuracy assertions testing.

➤ *Valuation of receivables*

According to the applicable accounting regulations, requirements management achieves assertions concerning the assessment of receivables at the reporting date, presenting them at the value at which they are expected to be completed.

Our response concerning the risks of material misstatement relating to the management of the company related to the valuation of such receivables at the reporting date, resulted in audit procedures whereby we tested the recognition of doubtful receivables as well as tests for the recalculation of the provisions for doubtful receivables, for those receivables whose due date had been exceeded by more than a year, i.e. claims involved in litigation.

- *Valuation of tangible assets*

The management's assertions regarding the valuation of tangible fixed assets can pose risks of significant material misstatements that would manifest itself in the sense of the non-provision of applicable accounting regulation to assessment in accordance with IAS 16 *Property, plant and equipment*, at the time of reporting.

Our response to these risks of misstatements regarding the valuation, meant using tests by which we observed the nature of expenditure capitalised into the cost of the upgraded asset during the year 2018. We had in mind the risks identified in accounting treatments presented by the company in the preceding financial years in connection with the refurbishment carried out on the existing tangible asset that existed at the reporting date, and we performed procedures whereby we obtained reasonable assurance that there are no significant material misstatements with respect to these assertions.

Other Information – Management Report

(f) Directors are responsible for compiling and presenting other information. That other information includes the Directors' Report but does not include the financial statements and the auditor's report thereon.

Our opinion on individual financial statements does not cover this other information, and unless expressly stated in our report, we do not express any assurance about it.

In relation to the audit of the individual financial statements for the year ended at December 31, 2018, it is our responsibility to read that other information and, by doing so, to assess whether that other information is materially inconsistent with the financial statements or with this knowledge that we obtained during the audit whether they appear to be significantly denatured.

As far as the Directors' Report is concerned, we have read and reported that it has been prepared in all significant aspects in accordance with Order of the Minister of Public Finance no. 2844/2016 for approval of the Accounting Regulations in accordance with International Financial Reporting Standards, chapter III, points 15-20.

On the sole basis of the activities to be carried out during the audit of the financial statements, in our opinion:

- The information presented in the Directors' Report for the financial year for which the financial statements have been prepared is consistent, in all significant aspects, with the financial statements;
- Directors' Report has been prepared in all significant aspects in accordance with Order of the Minister of Public Finance no. 2844/2016 for approval of the Accounting Regulations in accordance with International Financial Reporting Standards, chapter III, points 15-20.

In addition, based on our knowledge and understanding of the Company and its environment, acquired during the audit of the separate financial statements for the year ended December 31, 2018, we are required to report whether we have identified significant misstatements in the Directors' Report. We have nothing to report on this issue.

Other matters

8. This independent auditor's report is addressed exclusively to the shareholders of the Company. Our audit was conducted in order to be able to report to the shareholders in accordance with the reporting requirements of a financial audit, and not for other purposes. To the extent to which the law allows it, we do not accept and assume any responsibility except for the Company and its Shareholders in respect to our audit, to the report on the separate financial statements and the report on conformity or the opinion.

- The annexed financial statements are not meant to show the financial position, the financial performance and a complete set of notes to the separate financial statements in accordance to accounting regulations and principles in other countries and jurisdictions than Romania. Therefore, the annexed separate financial statements are not for the use of persons who are not familiar with legal regulations in Romania, including OMFP no. 881/2012 on application by companies whose securities are admitted to trading on a regulated market of International Financial Reporting Standards and OMFP no. 2844/2016 for the approval of the accounting regulations in accordance with International Financial Reporting Standards.

Responsibility of management and those responsible for governance for financial statements

- Management is responsible for the preparation and fair presentation of these separate financial statements in accordance with the Accounting Law no. 82/1991, republished, including subsequent amendments and additions, Order of the Minister of Public Finance of Romania no. 881/2012 on application by companies whose securities are admitted to trading on a regulated market of International Financial Reporting Standards and the Order of the Minister of Public Finance no. 2844/2016 for approval of the Accounting Regulations in accordance with International Financial Reporting Standards and for internal control that management deems necessary to enable it to prepare financial statements free of material misstatement, whether due to fraud or error.

11. In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

12. Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

vi) Our objectives are to obtain reasonable assurance that the financial statements as a whole are free of material misstatement, whether due to fraud or error, and to the issuance of an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but it is not a guarantee that an audit conducted in accordance with ISA will always detect significant misstatement, if any exists. Distortions may be caused either by fraud or by error and are considered significant if reasonable assurance can be given that they, individually or collectively, will influence the economic decisions of users made on the basis of these financial statements.

vii) As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

d) We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

e) We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them about all relationships and other matters that may reasonably be thought to bear with our independence and, where applicable, related safeguards.

f) From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report, unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

- We were appointed by the General Meeting of Shareholders at the date of April 20, 2017, as a result of a public selection of tenders in the statutory audit, for the audit of the financial statements of the Company for the financial year ended on December 31, 2018. The total uninterrupted period of our commitment is 8 years, covering the financial years from December 31, 2011 to December 31, 2018.

We confirm that:

- Our audit opinion is in accordance with the additional report presented to the Audit Committee of the Company, which we have issued on the same date in which we have delivered this report. Also, in the conduct of our audit, we have kept the independence regarding the audit-ed entity.
- We have not provided the Company with prohibited non-audit services, as referred to Article no. 5 paragraph (1) of the EU Regulation No 537/2014.

Timișoara, March 18, 2019

On behalf of A.B.A. AUDIT SRL

Registered with the No. 305/23 December 2002

Dr. Dumitrescu Alin Constantin

Registered with the No. 4227/29 February 2012

Înregistrat cu nr. 4227/29 februarie 2012



A.B.A. AUDIT S.R.L.

INDEPENDENT AUDITORS' REPORT

To the Shareholders of

TURISM, HOTELURI, RESTAURANTE MAREA NEAGRĂ S.A MANGALIA

Unmodified opinion

> We have audited the accompanying consolidated financial statements of Turism, Hoteluri, Restaurante Marea Neagră SA Mangalia ("the Company"), with headquarters in Mangalia, Lavrion Street, No. 29, identified by unique tax registration number RO2980547 and its subsidiary ("the Group") which comprise the consolidated statement of financial position as at December 31, 2018, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity, the consolidated statement of cash flows and consolidated notes to consolidated financial statements for the year then ended, represented by:

> Consolidated financial statements at December 31, 2018, are identified as follows

	RO
- Revenues:	63,826,441N
	RO
- Net profit:	9,400,951N
	RO
- Total assets:	266,876,309N

- In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Turism, Hoteluri, Restaurante Marea Neagră SA Mangalia as at December 31, 2018, and its financial performance and its cash flows for the year then ended in accordance with Accounting Law no. 82/1991, republished, including subsequent amendments and additions, Order of the Minister of Public Finance of Romania no. 881/2012 on application by companies whose securities are admitted to trading on a regulated market of International Financial Reporting Standards and the Order of the Minister of Public Finance no. 2844/2016 for approval of the Accounting Regulations in accordance with International Financial Reporting Standards, including subsequent amendments and additions.

S.C. A.B.A. Audit S.R.L.

ADRESA: Timisoara, Str. Moise Nicoară, Nr. 11B

CUI: RO 14907434 • Nr. Inreg. ORC: J35/1537/2002

IBAN: RO43PIRB3701720663001000 • BANCA: Piraeus Bank

TEL: 0256.216.100; • FAX: 0256.205.039

E-MAIL: office.audit@abaconsulting.ro • WEB: www.abaconsulting.ro

Basis for opinion

- We conducted our audit in accordance with International Standards on Auditing ("ISA"), the EU Regulation No 537 of the European Parliament and of the Council of the European Parliament (the "Regulation") and the Law no. 162/2017 ("the law"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards

Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. We consider that the audit evidences we have obtained are sufficient and appropriate in order to form a basis for our audit opinion.

Emphasis of matters

5. Without further modified our opinion, we draw attention related to subsequent issues:

5.1. On the consolidated financial statements prepared by the Company for the financial year ended December 31, 2018, we consider necessary to present the existence of litigations - as disclosed in Note 24 "Contingencies" may involve risks of ownership of assets, along with evidence of losses from other operating activities, as the litigation against Mangalia Tax Department which highlights the risk of increasing debts and additional penalties beyond the amounts recognized and assumed by the Grup as at December 31, 2018 depending on evolution of the litigation.

5.2. The Company has proceeded to reevaluate the buildings classified as tangible assets classified in accordance with IAS 16 at 31 December 2015, with the frequency of review periods no more than three years up to that moment. In accordance with the requirements of IAS 16 *Property, plant and equipment*, revaluations should be performed with sufficient regularity to ensure that the carrying amount does not differ materially from what would have been determined by using the fair value at the end of the reporting period. In the absence of information on estimating the net recoverable amount of non-current assets, we are not in a position to apply other procedures that provide us with reasonable assurance that the net amounts presented in the financial statements at 31 December 2018 does not contain material errors.

Key audit matters

- The key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the financial statements of the current period. These matters were addressed in the context of the audit of the financial statements as a whole, and in forming the auditor's opinion thereon, and the auditor does not provide a separate opinion on these matters.

- *Revenue recognition*

At the level of revenue recognition there are risks of material misstatements like the situations where there may not be recognized by the Group's management in accordance with applicable accounting regulations. There may be risks both in terms of the amount of revenue recognized as well as the time of their recognition of possible significant material misstatements regarding the application of the principle of accrual-based accounting.

Our response to these risks of material misstatements have resulted in performing audit procedures with the purpose of: analysis of contracts, testing the revenue recognition method in accordance with the contract clause, to obtain sufficient audit evidence and adequate both in connection with the recognition of revenue, but also with accuracy assertions testing.

➤ *Valuation of receivables*

According to the applicable accounting regulations, requirements management achieves assertions concerning the assessment of receivables at the reporting date, presenting them at the value at which they are expected to be completed

Our response concerning the risks of material misstatement relating to the management of the Group related to the valuation of such receivables at the reporting date, resulted in audit procedures whereby we tested the recognition of doubtful receivables as well as tests for the recalculation of the provisions for doubtful receivables, for those receivables whose due date had been exceeded by more than a year, i.e. claims involved in litigation.

- *Valuation of tangible assets*

The management's assertions regarding the valuation of tangible fixed assets can pose risks of significant material misstatements that would manifest itself in the sense of the non-provision of applicable accounting regulation to assessment in accordance with IAS 16 *Property, plant and equipment*, at the time of reporting.

Our response to these risks of misstatements regarding the valuation, meant using tests by which we observed the nature of expenditure capitalised into the cost of the upgraded asset during the year 2018. We had in mind the risks identified in accounting treatments presented by the Group in the preceding financial years in connection with the refurbishment carried out on the existing tangible asset that existed at the reporting date, and we performed procedures whereby we obtained reasonable assurance that there are no significant material misstatements with respect to these assertions.

Other Information – Management Report

(g) Directors are responsible for compiling and presenting other information. That other information includes the Directors' Report but does not include the financial statements and the auditor's report thereon.

Our opinion on individual financial statements does not cover this other information, and unless expressly stated in our report, we do not express any assurance about it.

In relation to the audit of the individual financial statements for the year ended at December, 31 2018, it is our responsibility to read that other information and, by doing so, to assess whether that other information is materially inconsistent with the financial statements or with this knowledge that we obtained during the audit whether they appear to be significantly denatured.

As far as the Directors' Report is concerned, we have read and reported that it has been prepared in all significant aspects in accordance with Order of the Minister of Public Finance no. 2844/2016 for approval of the Accounting Regulations in accordance with International Financial Reporting Standards, chapter III, points 15 - 20 and chapter IV, points 26 - 28.

On the sole basis of the activities to be carried out during the audit of the financial statements, in our opinion:

- The information presented in the Directors' Report for the financial year for which the financial statements have been prepared is consistent, in all significant aspects, with the financial statements;
- Directors' Report has been prepared in all significant aspects in accordance with Order of the Minister of Public Finance no. 2844/2016 for approval of the Accounting Regulations in accordance with International Financial Reporting Standards, chapter III, points 15-20 and chapter IV, points 26 - 28.

In addition, based on our knowledge and understanding of the Group and its environment, acquired during the audit of the financial statements for the year ended December 31, 2018, we are required to report whether we have identified significant misstatements in the Directors' Report. We have nothing to report on this issue.

Other matters

- This independent auditor's report is addressed exclusively to the shareholders of the Group. Our audit was conducted in order to be able to report to the shareholders in accordance with the reporting requirements of a financial audit, and not for other purposes. To the extent to which the law allows it, we do not accept and assume any responsibility except for the Group and its Shareholders in respect to our audit, to the report on the consolidated financial statements and the report on conformity or the opinion.
- The annexed consolidated financial statements are not meant to show the financial position, the financial performance and a complete set of notes to the consolidated financial statements in accordance to accounting regulations and principles in other countries and jurisdictions than Romania. Therefore, the annexed consolidated financial statements are not for the use of persons who are not familiar with legal regulations in Romania, including OMFP no. 881/2012 on application by companies whose securities are admitted to trading on a regulated market of International Financial Reporting Standards and OMFP no.

2844/2016 for the approval of the accounting regulations in accordance with International Financial Reporting Standards.

Responsibility of management and those responsible for governance for financial statements

- Management is responsible for the preparation and fair presentation of these financial statements in accordance with the Accounting Law no. 82/1991, republished, including subsequent amendments and additions, Order of the Minister of Public Finance of Romania no. 881/2012 on application by companies whose securities are admitted to trading on a regulated market of International Financial Reporting Standards and the Order of the Minister of Public Finance no. 2844/2016 for approval of the Accounting Regulations in accordance with International Financial Reporting Standards and for internal control that management deems necessary to enable it to prepare financial statements free of material misstatement, whether due to fraud or error.
- In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.
- Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

viii) Our objectives are to obtain reasonable assurance that the financial statements as a whole are free of material misstatement, whether due to fraud or error, and to the issuance of an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but it is not a guarantee that an audit conducted in accordance with ISA will always detect significant misstatement, if any exists. Distortions may be caused either by fraud or by error and are considered significant if reasonable assurance can be given that they, individually or collectively, will influence the economic decisions of users made on the basis of these financial statements.

ix) As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

g) We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

h) We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them about all relationships and other matters that may reasonably be thought to bear with our independence and, where applicable, related safeguards.

i) From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report, unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

- We were appointed by the General Meeting of Shareholders at the date of April 20, 2017, as a result of a public selection of tenders in the statutory audit, for the audit of the financial statements of the Group for the financial year ended on December 31, 2018. The total uninterrupted period of our commitment is 8 years, covering the financial years from December 31, 2011 to December 31, 2018.

We confirm that:

- Our audit opinion is in accordance with the additional report presented to the Audit Committee of the Company, which we have issued on the same date in which we have delivered this report. Also, in the conduct of our audit, we have kept the independence regarding the audit-ed entity.
- We have not provided the Group with prohibited non-audit services, as referred to Article no. 5 paragraph (1) of the EU Regulation No 537/2014.

Timișoara, March, 18
2018

On behalf of A.B.A. AUDIT SRL

Registered with the No. 305/23 December 2002

Dr. Dumitrescu Alin Constantin

Registered with No. 4227/29 February 2012

