



TURISM, HOTELURI, RESTAURANTE MAREA NEAGRA S.A.

Head Office: Romania, Mangalia, Lavrion Street, No. 29, Constanța County, Phone: +40-241-752-452
Facsimil: +40-241-755-559

Registration No. Trade Register 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 corporate model



Website: www.thrmareaneagra.ro

Material related to item no. 2 of the AGOA agenda of meeting regarding the Presentation, debate and approval of the consolidated financial statements on the date of 31st of December 2019, based on the reports presented by the Supervisory Board, the Company's Board of Directors and the financial auditor.

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

Drawn up in accordance with the Accounting Law no. 82/1991, OMFP 2844/2016 for the approval of the Accounting Regulations conforming to the International Financial Reporting Standards, Law 24/2017 on the capital market and ASF Regulation no. 5/2018 regarding issuers and securities transactions,

for the consolidated financial year ended on the date of 31st of December 2019

**The Commercial Company's name: [Turism, Hoteluri, Restaurante Marea Neagră S.A.](#),
[Two tier corporate model](#)
[– Mother-company](#)**

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

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

The Unique Registration Code at the Trade Register Office: 2980547

Registered business number: J13/696/1991

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

Subscribed and paid capital: 57.894.993,9 lei

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

The Commercial Company's name: [Balneoterapia Saturn SRL – branch](#)

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

Phone number/Facsimil: 0241-752.452

The Unique Registration Code at the Trade Register Office: 14271182

Registered business number: J13/1910/2001

Subscribed and paid capital: 2.000 lei

The main characteristics of the securities issued by the commercial company:
the shares of the company are not traded on a regulated market, the shareholders' records being kept by the managers with the help of the Register of shareholders.



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

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

Consiliul de Supraveghere a înființat două comitete, cu următoarea componență:

- **Comitetul de audit:** Mielu Dobrin și Florin Dănuț Buzatu
- **Comitetul de nominalizare si remunerare:** Dragoș Călin și Florin Dănuț Buzatu.

The company adhered to a Corporate Governance Code, drawing up annually the Declaration of conformity provided by the CGC.

At the time of issuing this Report, THR Marea Neagră SA is not aware of the existence of agreements, agreements or family ties of the members of the Supervisory Board and other persons through whom they have been appointed directors.

The members of the Supervisory Board declare that at the time of drafting this Report, they are not aware of any disputes or administrative procedures against the Supervisory Board, in relation to their activity within the issuer or regarding the capacity of the respective person to perform their duties within the framework. issuer.

The Supervisory Board is based on the principles of corporate governance, which state a responsible, professional and ethical attitude of the Company in relation to the main stakeholders. The Board analyzes the Company's strategy and the premises in which it operates in order to plan the evolution of THR Marea Neagră and its performance, ensuring a rigorous formulation of the objectives. Within the Supervisory Board, the Company's Board of Directors provided detailed information regarding the financial statements for 2019.

The Supervisory Board was interested in both improving the Company's profitability and maintaining its image as a solid and reliable partner for all employees.

The consolidated financial statements and the audit report were presented for examination by the Supervisory Board.



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The Annual Report of the Board of Directors, prepared in accordance with the requirements of the capital market legislation, was endorsed by the members of the Supervisory Board.

The Board of Directors report provides a fair and accurate image of the Company's results for the 2019 financial year.

President of the Supervisory Board

Eng. Mielu Dobrin



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Report of THR Marea Neagră SA Board of Directors related to the consolidated financial statements prepared for 2019

The Annual Report according to: Accounting Law no. 82/1991, OMFP 2844/2016 for the approval of the Accounting Regulations in compliance with the International Financial Reporting Standards, Law 24/2017 on the capital market and ASF Regulation no. 5/2018 on issuers and securities transactions

The group for which these financial statements have been drawn up is formed by the company Turism, Hoteluri, Restaurante Marea Neagră SA, Company managed in dualistic system and its subsidiary Balneoterapia Saturn SRL („*The Group*”).

**The Commercial Company's name: [Turism, Hoteluri, Restaurante Marea Neagră S.A.](#),
[Two tier corporate model](#)
– [Mother-company](#)**

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The Commercial Company's name: [Balneoterapia Saturn SRL](#) – [branch](#)

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

Phone number/ Facsimil: 0241-752.452

The unique registration code at the Trade Register Office: 14271182

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1. ANALYSIS OF THE GROUP ACTIVITY

1.1.a) Description of the basic activity of the companies belonging to the Group

The main activity of the company THR Marea Neagră SA, according to the classification is CAEN code 5510 "Hotels and other similar accommodation facilities", namely the provision of accommodation services, public food, spa treatment and tourist leisure.

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.

The main activity of the company **Balneoterapia Saturn S.R.L.**, according to the classification is CAEN code 8622 "Specialized healthcare activities".

b) Date of establishment of the companies belonging to the Group

The Commercial Company THR Marea Neagră SA was established on the date of 5th of March 1991, having the name of S.C. Eforie S.A. The company changed its name from Eforie S.A. in T.H.R. Marea Neagră S.A. in 2005, according to the conclusion of the judge delegated to the Trade Register Office Constanța number 10.687 / 24th of January 2005, and during 2010, the company moved its registered office in Mangalia, Lavrion Street, No. 29, Constanța County.

In AGEA from the date of 8th of November 2017 the management system of the company is modified in the Dualist System, the administration of the company being realized from this moment by the Supervisory Board and the Board of Directors.

The Company Balneoterapia Saturn SRL is a legal person registered with the Trade Register Office under number J13 / 1910/2001, Unique Registration Code 14271182.

c) Description of significant mergers and reorganizations

In 2019, there were no mergers in any of the companies belonging to the group.

d) Description of acquisitions and / or alienations of assets

In the year 2019, the Mother Company continued the strategy of development / restructuring of the company, by selling some assets from the patrimony of the company, namely:

- Claudia Complex (building and field) of Venus;
- Ancora Hotel (building) of Eforie Sud;
- CFR Travel Agency (building) of Venus;
- Field in a surface of 525 mp in Sat Vacanță Dunărea of Saturn;
- Rapsodia Garden (building and field) of Eforie Nord



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1.1.1. General assessment elements of the Group

- a) Gross profit: **7.474.164 lei**
- b) Total incomes: **60.199.038 lei** (less the incomes from cancellation of provisions in the amount of 111,929 lei and the incomes related to the deferred income tax in the amount of 62,935 lei);
- c) Turnover: **48.663.596 lei**
- d) Export : it's not necessary.
- e) Total costs: **52.724.874 lei** (less current, deferred income tax, postponed and specific tax, amounting to **1.507.821 lei**);

- f) % from the market held: **12,80%** from the local tourist market
- g) Available in account: **31.718.771 lei.**

The Group It operates through its working points located in the tourist resorts of national interest Eforie Nord, Eforie Sud, Neptun, Venus and Saturn being among the main profile companies in the country.

The group owns hotel units located in the market with well-consolidated positions at national level, some having a market at European level.

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

In order to mitigate the seasonal character, the Group has oriented its investment program towards developing its own capacities for the provision of the spa medical services by using the specific natural treatment factors, currently having 4 own treatment bases within the hotel complexes "Hora", "Ballad", "Sirena" - Saturn and "Bran-Brad-Bega" Hotel Complex in Eforie Nord, the last one being put into operation in 2012.

The operational activity produces revenues that lead to a positive economic-financial result, capable of ensuring the coverage of all operating costs, but also of making profit used partially to finance the investment programs.

The concentration of the revenues realized in a limited period of the year (June-August) implies the temporary financing of the activities from sources drawn, respectively bank loans, which are reimbursed as the collection of the incomes related to the financial year in progress.

1.1.2. Assessment of the technical level of the company

Description of the main products made and / or services provided with the specification:



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

In the year 2019, the Group operated in direct management a number of 5,972 places of accommodation and 4,710 places of public food, located in the tourist resorts on the Romanian Marea Neagră coast in units classified in category 4 *, 3 * and 2 *.

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

An important distribution channel is the sale online through specialized sites, but also through its own sales site, channels with the highest rise in recent years and with great growth potential in the market.

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

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

β) the share of the main categories of services in total revenues:

Indicators	Accomplished 2019 (lei)	Accomplished 2018 (lei)	Accomplished 2017 (lei)	Index accomplished 31.12.2019/ realizat 31.12.2018	Shares in total incomes (%)		Shares in total Turnover (%)	
					Accomplished 2019	Accomplished 2018	Accomplished 2019	Accomplished 2018
Total incomes, excluding provisions from cancellation of provisions and exclusively deferred tax	60.199.038	63.826.441	39.215.925	94,32%				
Turnover, whereby:	49.027.474	46.949.351	34.420.176	104,43%	81,29	73,11	100,00	100,00
- Accommodation	30.471.444	29.393.891	21.016.132	103,67%	50,52	45,78	62,15	62,61
- Public food	14.399.840	13.932.309	10.128.015	103,36%	23,88	21,70	29,37	29,68
- Rents	1.305.195	1.139.225	876.151	114,57%	2,16	1,77	2,66	2,43
Other revenues included in the turnover	2.850.995	2.483.926	2.399.878	114,78%	4,73	3,87	5,82	5,29

The total incomes, excluding the provisions from the cancellation of provisions and the income related to the deferred income tax, registered by the company in the financial year 2019, amounting to **60,199,038 lei**, with a decrease compared to the total revenues of the year 2018 (**63,826,441 lei**) with 5.68% .



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We mention that this decrease of the total revenues from 2019 compared to 2018, comes from the activity of sales of assets, a subsidiary activity to the main object of activity.

For this activity, the Group does not have all the control levers, which is influenced by many exogenous factors (market conditions, demand intensity, economic factors, etc.).

An important weight in the total incomes is represented by the income from accommodation (30,471,444 lei), which represents 50.78% and the incomes from public food (14,399,840 lei), which represents 24.04%. In 2019, there was an increase in the share of the main activity (accommodation and public food) in total incomes, as shown in the table above.

In the total incomes of the year 2019, the turnover amounts to **48,663,596 lei**, which represents an increase from the turnover of the previous year (**46,416,147 lei**) by 4.84%.

The incomes that make up the turnover in 2019, were obtained from the following activities:

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

The largest share in the turnover structure is represented by the incomes from the accommodation activity - 50.52%.

The incomes from the public food accounted for 23.88% of the turnover, and the incomes from the rental activity registered a reduced share in the turnover, namely 2.16%.

The group „Other incomes” reflected in the turnover, achieved by carrying out secondary activities (parkings, swimming pools, medical services) summed up **2,850,995 lei** and represents, with respect to 2018, an increase of 14.78%.

c) New products envisaged and their stage of development

The group's priority is to maintain, develop and create new tourism products, taking into account the current market requirements for such services.

Along with its own products materialized in: packages of accommodation services, public food, spa treatment, leisure, the Group aims to develop the existing capacities as well as to



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develop and modernize the computer system to allow online reservations and other services requested by tourists.

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

- facilities for families with children;
- “Inscrieri Timpurii” program;
- capping at maximum 18% of sales commissions to agencies against the agreement rates;
- non-commissioning of public food services by the beneficiary, for which the provider granting a commission of 10%;
- granting additional discounts (by volume) at the end of the season.

Special offers have been launched in order to boost the sales of service packages: offers of packages with full board and treatment, offers to stimulate online sales (discounts for non-refundable receipts, offers 'Best deal', offers 'Last minute', discounts for reservations in certain periods, accommodation and treatment packages), offers for conference rooms, participation in the programs promoted by the employers' organizations in tourism ('Litoralul pentru toți', 'Decada balneară', 'Hai la băi', 'O săptămână de refacere').

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

1.1.3. Assessment of the technical-material supply activity

The technical-material supply was mainly based on the domestic sources of raw materials and materials.

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

The purchases were made from traditional suppliers, direct producers or importers, large companies, with accreditation on the respective subjects, ISO certified, according to European rules and standards.

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

Addition on the main suppliers is small, given the large number of potential suppliers on the market, with similar offers.

Regarding the security of the sources of supply, we specify that all the raw materials purchased are accompanied by certificates of conformity, warranty certificates, technical data sheets.



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The stocks of raw materials and materials for the operational activity are minimal, considering that the main activity of the company, the activity of providing tourist services, is carried out during the summer season.

1.1.4. Assessment of the sales activity

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

The group mainly operates on the basis of agreements for the provision of tourist services concluded with the travel agencies, the National House of Public Pensions (the treatment contract), other beneficiaries (unions, organized groups, etc.), online sales and for individual tourists arriving on their own. In 2019, compared to the BVC and the achievements of the previous year, the tourist circulation is presented as follows:

Explanation	CNPP	Tourism agencies	Other beneficiaries	tourist days	
				Own account + online	TOTAL
Accomplished on the date of 31 December 2019	103.998	236.654	18.878	27.517	387.047
BVC on the date of 31 decembrie 2019	109.760	236.532	19.143	26.599	392.034
Differences on the date of 31 December 2019/ BVC on the date of 31 December 2019	(5.762)	122	(265)	918	(4.987)
Percentage accomplished on the date of 31 December 2019/ BVC 31 December 2019	94,75%	100,05%	98,62%	103,45%	98,73%
Accomplished on the date of 31 December 2018	107.900	236.535	30.693	26.600	401.728
Differences Accomplished on the date of 31.12.2019/ Accomplished on the date of 31.12.2018	(3.902)	119	(11.815)	917	(14.681)
Percentage accomplished on the date of 31.12.19/ Accomplished on the date of 31.12.18	96,38%	100,05%	61,51%	103,45%	96,35%
Shares in structure on the date of 31.12.2019	26,87%	61,14%	4,88%	7,11%	100,00%
Shares in structure on the date of 31.12.2018	26,86%	58,88%	7,64%	6,62%	100,00%
Accommodation capacity 2019 (places)					5.972
Accommodation capacity 2018 (places)					6.580



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As it can be noticed, in 2019 there was a tourist circulation of 387,047 tourist days, representing a decrease compared to the budgeted indicator (392,034 tourist days) by 1.27%, and a decrease compared to 2018 (401,728 days - 3.65%). The decrease was mainly determined by the decrease of the accommodation capacity in 2019 compared to 2018 as a result of the transfer of some assets, as well as by the decrease of the number of places auctioned by the National House of Public Pensions.

In the 2019 season the units were opened during the period 31.05 - 09.10.2019, registering an average occupancy rate of 71.36%, and in the 2018 season the units were opened during the period 23.05 - 30.09.2018, registering a degree average employment of 73.12%. The occupancy rate of 2019 was influenced by the low tourist circulation since July, when the weather was unfavorable.

From the analysis of the tourist circulation, we notice:

- The treatment contract concluded with the National House of Public Pensions (CNPP) ensured in 2019 a tourist circulation of 103,998 tourist days, with 5,762 tourist days less than the budgetary provision and with 3,902 tourist days less than achieved in 2018. This decrease is due to decrease of the number of places auctioned by CNPP by stations.
- Cîrculația turistică prin agențiile de turism a crescut în anul 2019 față de anul 2018, cu 119 zile turist, iar față de prevederea bugetară a înregistrat o creștere cu 122 zile turist.
 - Agreements were also ended with other beneficiaries (unions, associations, sports federations, etc.), based on which a tourist circulation of 18,878 tourist days was made, compared to 19,143 budgeted tourist days, which represents a decrease by 1.38 % compared to the budgetary provisions and a decrease compared to the realized one of 2018 with 38.49%, decrease due to the smaller number of holiday vouchers that Romanians benefited in 2019, compared to 2018 and the cancellation of artistic events generating tourist influx.
 - The sales segment on its own and online accounted for an increase of 918 tourist days compared to the budgetary provision, and an increase of 917 tourist days compared to the year 2018.

Another indicator of the tourist circulation, the number of tourists, registered an evolution similar to the one expressed in tourist days.

Explanations	CNPP	Tourism agencies	Other beneficiaries	Own account + online	TOTAL
Tourists number 2019	6.493	37.696	2.368	6.495	53.052
Tourists number 2018	6.799	39.418	5.079	6.710	58.006
Differences 2019/2018	(306)	(1.722)	(2.711)	(215)	(4.954)
% 2019/2018	95,50%	95,63%	46,62%	96,80%	91,46%



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% 2019/ Partners	12,24%	71,05%	4,46%	12,24%	100,00%
% 2018/ Partners	11,72%	67,96%	8,76%	11,57%	100,00%

Average stay

Explanations	Treatment	Agencies	Own account	Other beneficiaries	Online	TOTAL
Average stay 2019	16,00	6,27	3,93	7,97	4,35	7,30
Average stay 2018	15,87	6,00	3,75	5,72	4,09	6,80
Differences 2019/2018	0,13	0,27	0,18	2,25	0,26	0,50

From the analysis of the situation presented above, it has been shown that the average tourist stay indicator showed a slight increase in 2019, representing 7.30 days average stay compared to 6.80 days average stay in 2018.

In the coming years we will continue to consider adapting the tariff and contracting policy to the market requirements, creating incentive conditions for tour operators, granting volume discounts, facilities for families with children, the policy for Early Registration, giving up of commissions to stimulate the sellers and create advantages when selling the public food services. We will pay more attention to the online sales segment. We are considering the development of special offers designed to ensure an increase of the tourist circulation, 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 group operates in an area where the main activity is its object of activity, namely the provision of accommodation, public food, leisure, the main attraction representing the beach and the quality of the Black Sea bathing water, as well as the healing qualities. of the main natural resources of spa treatment, the sapropelic mud of Techirghiol, the water of Lake Techirghiol, the mesothermal sulfur water, the sea water and marine aerosols.

The area has the highest concentration of tourist capacities, which creates a highly competitive climate.

The external market represents a particular competition with similar products, the tariff policy making the difference, identifying in this sense the Bulgarian coast market as a competitor.

c) Description of any significant addiction of the Group on a single customer or on a group of customers whose loss would have a negative impact on revenue



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The Group's tourism products have a national distribution area, being 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 2019:

Explanations	CNPP	Tourism agencies	Other beneficiaries	Own account and online	TOTAL
<i>Tourist days 2019</i>	<i>103.998</i>	<i>236.654</i>	<i>18.878</i>	<i>27.517</i>	<i>387.047</i>
Total weight 2019 (%)	26,87%	61,14%	4,88%	7,11%	100.00%

An important weight in the sale of tourism products is represented by the tour operators, with 61.14% of the total tourist days realized in 2019.

Also, another essential customer, with 26.87% of total tourist days, is the National House of Public Pensions. Given that the public procurement of this partner is made for the public sector pensioners, the non-acquisition by CNPP of these services does not cancel the consumption demand. The treatment of health being a necessary and continuous process, the product will be placed on other distribution channels, so that the consumer can get to buy the necessary product.

Related to the fact that the medical spa treatment service, provided by SC Balneoterapia Saturn SRL - a company within the Group, is personalized, known and proven in the market, there will be no major difficulties with a negative impact on the revenues if one of the main partners of the Group would withdraw from the market.

1.1.5. Assessment of aspects related to Group employees / personnel

α) Regarding human resources in 2019, compared to 2018, the assessment of the personnel was as follows:

Crt. No.	Indicator	Number on the date of 31.12.2019	Average number in 2019	Average number in 2018
1	Number of permanent personnel whereby:	106	110	115
	<i>a) TESA Personnel</i>	<i>41</i>	<i>40</i>	<i>42</i>
	<i>b) Operational personnel</i>	<i>65</i>	<i>70</i>	<i>73</i>
2	Number of seasonal personnel	49	292	242
3	Total personnel	155	402	357

Compared to year 2018, in 2019 there is an increase in the average number of personnel in the seasonal segment, due to keeping seasonal personnel active for a period longer than the activity period of the accommodation and public catering units, in order to motivate them.



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b) The relationships between managers and employees, regulated by the Collective Labor Contracts, are based on communication, involvement and team spirit, respecting the rules and working procedures established by ROI, the job description, without any conflicting elements.

1.1.6. Assessment of aspects related to the impact of the Group's core activity on the environment

The basic activity of the Group is carried out in compliance with the legislation in force regarding the environmental protection requirements, obtaining the necessary environmental permits for each type of activity and at each point of work.

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

In the year 2019 the Group did not face any litigation generated by the non-observance of the environmental legal regulations.

2. THE FINANCIAL AND ACCOUNTING STATEMENT OF THE GROUP

In the year 2019, the Group had organized the accounting according to OMF 881/2012 and OMF 2844/2016 to approve the accounting regulations conforming to the International Financial Reporting Standards. By these orders, it has been stated that companies whose securities are listed on the regulated market, including THR Marea Neagră SA, have the obligation to prepare the financial statements in accordance with the above mentioned normative acts.

In accordance with the mentioned regulations, the financial statements of the Parent Company are audited, annually, by the audit company ABA Audit S.R.L. of Timișoara, based on the service agreement no. 1998 / 13.06.2019.

The dynamic situation of the main assets at 31.12.2019, in comparison with the similar elements of the years 2018 and 2017, is presented as follows:

ASSET	The value on the date of 31.12.2019 (lei)	The value on the date of 31.12.2018 (lei)	The value on the date of 31.12.2017 (lei)	Variation 2019/2018 (%)	Weight 2019 in total assets (%)
Intangible assets	493.453	362.713	414.986	136,05%	0,18%
Tangible assets	179.793.015	179.585.901	186.590.382	100,12%	65,07%
Real estate investments	29.274.302	16.065.300	17.191.112	182,22%	10,59%
Financial assets	0	0	2.432.010		0,00%



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Non-current receivables (including deferred income tax)	462.004	1.416.286	1.404.650	32,62%	0,17%
TOTAL FIXED ASSETS	210.022.775	197.430.200	208.033.140	106,38%	76,01%
Stocks	1.665.470	294.218	442.154	566,07%	0,60%
Commercial receivables	567.318	794.963	1.565.593	71,36%	0,21%
<i>Other receivables</i>	2.932.574	1.809.548	3.405.794	162,06%	1,06%
Financial assets	0	0	0		0,00%
Disponibilitati banesti	31.718.771	27.985.903	5.635.805	113,34%	11,48%
Assets classified as held for sale	29.359.724	37.666.185	36.516.013	77,95%	10,63%
Expenses registered in advance	46.779	895.292	782.016	5,23%	0,02%
TOTAL CIRCULATING ASSETS	66.290.637	69.446.109	48.347.375	95,46%	23,99%
TOTAL ASSET	276.313.412	266.876.309	256.380.515	103,54%	100,00%

Within the assets of the Group, the largest weight is held by the fixed assets (76.01%), and within them the tangible assets representing 65.07% of the total assets.

On the date of 31.12.2019, the fixed assets showed an increase by 6.38% compared to 2018, an increase due mainly to the increase recorded by the Real Estate Investments indicator with the value corresponding to the gains from the fair value valuation at 31.12.2019, as well as the growth recorded by the indicator Intangible assets with the value of the investment representing Clarvision ERP Integrated Economic Management System.

The other indicators that make up the fixed assets know both increases and reductions, as follows:

-Tangible assets

"Land and land improvements" records on the date of 31.12.2019 a debtor balance of 58,942,312.08 lei.

Compared to the balance registered on the date of 31.12.2018, a reduction of 5,868,659.53 lei is represented, representing the value of land sold and an increase of 6,035,422.73 lei due to the differences in revaluation resulting from the reassessment of the land on the date of 31.12.2019.

"Buildings" records on the date of 31.12.2019 a debtor balance of 100,008,574.82 lei.

Compared to the balance registered on the date of 31.12.2018, a reduction of 20,983,669.57 lei is recorded, on account of the sold buildings (Venus Travel Agency Building), on the classification of real estate investments of rented buildings (Siret Complex, Mureș Hotel, Prahova Hotel, Capitol Complex) as well as due to the cancellation of the depreciation following the revaluation on 31.12.2019 and an increase by 8,464,791.57 lei due to the differences in revaluation resulting from the revaluation on 31.12.2019, due to the derecognition of the complex Tosca from assets held for sale as well as the investments received in the year 2019.



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"Technical installations, means of transport, animals and plantations" records on the date of 31.12.2019 a debtor balance of 21.600.535,33 lei.

The balance of this account has a reduction compared to the balance of the account as of 31.12.2018 with the amount of 106,604.23 lei due to the cancellations and an increase by 677,590.01 lei due to the purchases made during the year 2019.

"Furniture, office equipment, equipment for protecting human and material values and other assets" records on the date of 31.12.2019 a debtor balance of 17,315,227.01 lei.

The balance of this account has a reduction compared to the balance of the account at 31.12.2018 with 76,457.78 due to the cancellations and an increase by 79,970.00 lei due to the acquisitions made during the year 2019.

-Fixed receivables recorded a balance of 462,004 lei on 31.12.2019, lower by 67.38% compared to the balance as of 31.12.2018, reduction due to cancellation of the deferred tax debt amounting to 951,078 lei, a debt recognized in previous years as a result of the decrease the value of the tangible fixed assets of the nature of the buildings as a consequence of the errors submitted by the independent external evaluator stating that the fair value for all the buildings also included the value of the installations, respectively the value of all the modernizations carried out up to that date. As a result of the revaluations made on 31.12.2015, respectively 31.12.2019, since there are no temporary deductible differences that justify the recognition of this claim on the deferred income tax in accordance with IAS12, this debt was extinguished.

On the date of 31.12.2019, the current assets, which represent 23.99% of the total assets of the company, a total decrease of 4.54% compared to the level achieved in the previous year, while in the structure there are both increases and discounts, as follows:

-Cash availabilities increased by 13.34%, from 27,985,903 lei to 31.12.2018, to 31,718,771 lei to 31.12.2019;

-The assets indicator classified as held for sale registered a reduction compared to 31.12.2018 with 22.05% due to the assets sold (Claudia complex - building and land, Rapsodia Garden - building and land) and the derecognition of the Tosca complex in tangible fixed assets;

-The Expenses indicator recorded in advance registered a reduction of 94.77% compared to 31.12.2018 due to the recognition of the remaining value of the materials of the nature of the inventory items entered during the period 01.07.2016 - 31.12.2019 and in the balance at 31.12.2019 in full on expenses according to IAS 8 (paragraph 24-25);

-The Stocks indicator registered an increase of 466.07% on 31.12.2019 as of 31.12.2018, an increase due to the materials made available to third parties for investments being made at Hotel Aida, Hotel Raluca, Hotel Diana, and which have not yet been justified by quotations.



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The Group's receivables, an indicator that is part of current assets, registered an increase of 34.38% on the 31.12.2019, compared to the receivables recorded on 31.12.2018, while the trade receivables registered a decrease of 28.64% compared to the trade receivables recorded on 31.12.2018.

In the table below the claims are presented as of 31.12.2019 as compared to 31.12.2018:

Crt. No.	Name	Net receivables on the date of 31.12.2019	Impairment adjustments on the date of 31.12.2019	Receivables on the date of 31.12.2019	Net receivables on the date of 31.12.2018	Variation of the net receivables 2019/2018(%)
1	Commercial receivables	567.318	1.887.111	2.454.430	794.963	71,36%
2	Claims to the state budget	2.669.061		2.669.061	1.631.909	163,55%
3	Debtors active sales	0		0	0	
4	Different debtors	114.975		114.975	27.113	424,06%
5	Other receivables	148.537		148.537	150.526	98,68%
	Total commercial receivables and other receivables	3.499.892	1.887.111	5.387.003	2.604.511	134,38%

In 2019, the liabilities positions had the following evolution:

LIABILITY	Value on the date of 31.12.2019 (lei)	Value on the date of 31.12.2018 (lei)	Value on the date of 31.12.2017 (lei)	Variation 2019/2018 (%)	Wieght 2019 in total LIABILITIES (%)
<i>Subscribed and paid up share capital</i>	57.894.994	57.894.994	57.894.993	100,00%	20,95%
<i>Share capital adjustment following IAS 29 application</i>	85.945.333	85.945.333	85.945.333	100,00%	31,10%
<i>Total capital bonuses whereby:</i>	1.895.855	1.895.855	1.895.855	100,00%	0,69%
<i>Issue and merger premiums</i>	1.895.814	1.895.814	1.895.814	100,00%	0,69%
<i>Inflated capital premiums following IAS 29 application</i>	41	41	41	100,00%	0,00%
Total reserves whereby:	32.929.447	28.188.838	26.881.973	116,82%	11,92%
<i>Legal reserves:</i>	5.891.818	5.476.232	4.911.079	107,59%	2,13%
<i>Other reserves</i>	27.037.629	22.712.606	21.970.894	119,04%	9,79%
Inflated reserves following first-time application of IAS 29	16.745.901	16.745.901	16.745.901	100,00%	6,06%
<i>Inflated legal reserves following IAS 29 application</i>	1.280.018	1.280.018	1.280.018	100,00%	0,46%
<i>Other inflated reserves following IAS 29 application</i>	15.465.883	15.465.883	15.465.883	100,00%	5,60%
Own shares and Losses related to the sale / cancellation of equity instruments	(13.975)	0	0		
Differences from reassessment	105.720.135	105.238.279	107.559.706	100,46%	38,26%



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The result carried forward with the exception of the result reported from the adoption for the first time of IAS 29	57.651.954	55.169.050	52.923.423	104,50%	20,86%
The result reported from the first adoption of IAS 29	(102.691.275)	(102.691.275)	(102.691.275)	100,00%	
The result of the exercise	5.200.742	9.400.951	1.616.036	55,32%	1,88%
Other equity elements	(13.137.054)	(13.056.602)	(12.690.908)	100,62%	
Total equities	248.142.056	244.731.322	236.081.037	101,39%	89,80%
LIABILITY	Value on the date of 31.12.2019 (lei)	Value on the date of 31.12.2018 (lei)	Value on the date of 31.12.2017 (lei)	Variation 2019/2018 (%)	Weight 2019 in total LIABILITIES (%)
Average and long-term debt	14.174.979	13.990.404	15.209.427	101,32%	5,13%
Short term debts	13.996.377	8.154.584	5.090.051	171,64%	5,07%
TOTAL LIABILITY	276.313.412	266.876.310	256.380.515	103,54%	100,00%

Within the liabilities elements, the largest share is held by equity (89.80%), the subscribed and paid-up share capital representing 20.95% of the Group's total liabilities.

The equity at 31.12.2019, increased by 1.39% compared to the registered equity at 31.12.2018, due to the increases / reductions on each liability item:

- **Reserves** composed of legal reserves and other reserves, in a total amount of 32,929,447 lei, with an increase compared to 2018 (28,188,838 lei) by 16.82%, an increase due to the allocation of 4,348,567 lei on other reserves from the net profit of the year 2018 and the distribution on legal reserves of the amount of 392,042 lei from the net profit of the year 2019;
- **Differences** from the reassessment of the Group's assets in the amount of 105,720,135 lei, compared to the balance registered on 31.12.2018, it knows a reduction with the amount of 2,905,168.54 lei, on account of the revaluation reserves related to the assets sold and an increase of 3,387.024,38 lei on account of the differences from the re-evaluation results as a result of the reassessment of the constructions and land on the date of 31.12.2019 at THR Marea Neagră SA;
- The result carried over in the amount of **57,651,954 lei** balance representing the surplus realized from revaluation reserves related to the sold assets and the disposals. Compared to the balance of the financial year 2018, there is an increase with **2,905,168.54 lei** representing the surplus realized from reserves from revaluation related to the assets sold and disposed of in the financial year 2019.
- The net result of the exercise in the amount of **5,200,741,79 lei** saw a decrease compared to the one of 2018 with 44.68%, decrease mainly due to the reduction of the revenues from sales of assets.



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

The Group's short-term liabilities on the date of **31.12.2019**, including provisions, structured according to their nature and requirement, are presented in the following table:

Crt - No.	Account's name	Debts on the date of 31.12.2019						lei
			Under 30 days	30-90 days	91-180 days	181-270 days	270-365 days	
1	COMMERCIAL DEBTS AND OTHER DEBTS, INCLUDING DERIVATIVE FINANCIAL INSTRUMENTS	13.586.646	12.479.138	(903.634)	940.517	20.147	1.050.479	
1.1.	Advances collected on orders account	5.793.406	3.506.807	502.579	743.564	0	1.040.459	
	Active sales	4.981.038	3.438.000	502.579	0	0	1.040.459	
	Active rental year 2020	743.561	0	0	743.561	0	0	
	Touristic services	68.807	68.807					
1.2.	COMMERCIAL DEBTS	1.098.452	2.432.518	-1.416.145	82.080	0	0	
	Service providers and real estate suppliers	1.038.471	2.372.536	-1.416.145	82.080	0	0	
	Suppliers - unused invoices	59.982	59.982					
1.3.	DEBTS WITH THE STATE AND LOCAL BUDGET	638.083	638.083	0	0	0	0	
	Social insurances	273.619	273.619					
	Specific tax	240.084	240.084					
	Payroll tax	52.712	52.712					
	Dividend tax	51.631	51.631					
	Other debts with the budget	20.037	20.037					
1.4.	DEBTS WITH THE PERSONNEL	541.676	641.676	0	0	0	0	
	Collaborators	43.725	43.725					
	Staff - wages owed	157.045	157.045					
	Withholdings from wages due to third parties	11.661	11.661					
	Other debts related to personnel	14.275	14.275					
	Managing warranties	314.970	314.970					
1.5.	OTHER DEBTS	5.515.029	5.360.054	9.932	114.876	20.147	10.020	
	Other loans and similar debts	703.482	596.258	9.932	67.125	20.147	10.020	
	<i>Suppliers' term warranties</i>	<i>240.467</i>	<i>133.243</i>	<i>9.932</i>	<i>67.125</i>	<i>20.147</i>	<i>10.020</i>	
	<i>Encashed warranties</i>	<i>463.015</i>	<i>463.015</i>					
	Shareholder dividends Total creditors from which:	567.392	567.392					
	Total different creditors, whereby:	1.381.952	1.334.201	0	47.751	0	0	



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	<i>Active auction attendance warranties</i>	<i>1.140.600</i>	<i>1.140.600</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>
	<i>Tourist services creditors</i>	<i>239.631</i>	<i>191.880</i>		<i>47.751</i>		
	Settlements from operations being clarified	2.862.203	2.862.203				
	Taxes and fees of Mangalia City Hall	1.332.026	1.332.026				
	H Diana Investments - ALCON	1.530.177	1.530.177				
2.	SHORT-TERM SUPPLIES (for unused vacation leave and personal benefits in relation to pensions)	409.730	409.730	0	0	0	0

Short-term liabilities on the date of 31.12.2019, including provisions, increased over the same period last year, by 71.64%, an increase due to:

- Advances for asset sales (Ancora hotel land, building and land Restaurant Danube, Gloria Hotel building, Meduza Camping Sanitary Groups building, land related to Park Luna Buffet) encashed in 2019, in addition to the balance on the date of 31.12.2018 with 3,906,255 lei;
- The advances received from the leasing of assets, starting with 2020 (Capitol Complex, Prahova Hotel, Mureș Hotel, Siret Complex), amounting to 743,561 lei;
- The warranty encashed for attending in the auction for the purchase of Atena Complex (1,140,600 lei);
- The amounts in the course of the settlement representing the building works performed at Diana Hotel;
- Supplementing the provisions for unused holidays and the benefits of the employees at retirement with the amount of 162,696 lei.

Long-term liabilities on the date of 31.12.2019, including provisions, totaling 14,174,980 lei, are slightly increasing, by 1.32% compared to those recorded at 31.12.2018 (13,990,340 lei). These consist of term warranties (suppliers) in the amount of 161,559 lei, of the deferred income tax in the amount of 13,371,749 lei, of non-due debt to be recognized as payable debt, as the depreciation or exit of the fixed assets from the assets, and from long-term provisions in the amount of 641,671 lei.

RESULTS OF THE FINANCIAL YEAR 2018 OF THE GROUP

The incomes and expenses realized by **GRUP** in the year 2019, on the two major activity categories, compared to the achievements of 2018, are presented as follows:

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Indicators	Accomplish ed 31.12.2019	Accomplish ed 31.12.2018	Accomplished 31.12.2017	Index accomplished 31.12.2019/ accomplished 31.12.2018
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Total operating income whereby:	59.491.027	63.851.785	39.055.005	93,17%
<i>Accommodation activity</i>	<i>30.471.444</i>	<i>29.393.891</i>	<i>21.016.132</i>	<i>103,67%</i>
<i>The activity of public catering</i>	<i>14.399.840</i>	<i>13.932.309</i>	<i>10.128.015</i>	<i>103,36%</i>
Indicators	Accomplish ed 31.12.2019	Accomplish ed 31.12.2018	Accomplished 31.12.2017	Index accomplished 31.12.2019/ accomplished 31.12.2018
<i>Rental activity</i>	<i>1.305.195</i>	<i>1.139.225</i>	<i>606.151</i>	<i>114,57%</i>
<i>Other incomes included in the turnover (spa treatment, parking, swimming pool entrance, etc.)</i>	<i>2.850.995</i>	<i>2.483.926</i>	<i>3.104.123</i>	<i>114,78%</i>
<i>Asset sales activity</i>	<i>7.514.816</i>	<i>14.673.559</i>	<i>1.382.160</i>	<i>51,21%</i>
<i>Other incomes (fixed production, adjustments, fines, penalties, etc.)</i>	<i>2.948.737</i>	<i>2.228.875</i>	<i>2.818.424</i>	<i>132,30%</i>
Total operating expenses whereby:	52.823.905	50.798.283	36.923.395	103,99%
<i>Expenses on stocks</i>	<i>8.945.901</i>	<i>7.613.704</i>	<i>6.225.155</i>	<i>117,50%</i>
<i>Expenses concerning utilities</i>	<i>3.098.955</i>	<i>2.781.227</i>	<i>2.279.987</i>	<i>111,42%</i>
<i>Expenses with the employees and collaborators</i>	<i>17.502.661</i>	<i>14.086.307</i>	<i>12.237.858</i>	<i>124,25%</i>
<i>Expenses with liquidation and depreciation of fixed assets</i>	<i>9.609.824</i>	<i>7.243.810</i>	<i>7.268.161</i>	<i>132,66%</i>
<i>Expenditure on the assigned assets and assets held for sale</i>	<i>2.318.435</i>	<i>7.309.729</i>	<i>766.095</i>	<i>31,72%</i>
<i>Expenses with other taxes and fees</i>	<i>4.225.644</i>	<i>4.384.556</i>	<i>3.257.647</i>	<i>96,38%</i>
<i>Expenses with external services</i>	<i>6.698.829</i>	<i>5.592.816</i>	<i>3.530.094</i>	<i>119,78%</i>
<i>Other expenses</i>	<i>423.656</i>	<i>1.786.134</i>	<i>1.358.398</i>	<i>23,72%</i>
Exploitation result	6.667.122	13.053.502	2.131.610	51,08%
<i>Financial incomes</i>	<i>819.939</i>	<i>361.371</i>	<i>160.920</i>	<i>226,90%</i>
<i>Financial expenses</i>	<i>12.897</i>	<i>2.506.099</i>	<i>113.124</i>	<i>0,51%</i>
Financial result	807.042	(2.144.728)	47.796	-37,63%
TOTAL INCOMES	60.310.966	64.213.156	39.215.925	93,92%
TOTAL EXPENSES	52.836.802	53.304.382	37.036.519	99,12%
GROSS RESULT	7.474.164	10.908.774	2.179.406	68,52%
<i>The expense with the current profit tax</i>	<i>922.731</i>	<i>930.777</i>	<i>42.274</i>	<i>99,14%</i>
<i>The specific tax expense</i>	<i>462.548</i>	<i>467.610</i>	<i>293.512</i>	<i>98,92%</i>



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<i>Deferred tax expense</i>	951.078	109.434	227.584	869,09%
<i>Incomes related to deferred income tax</i>	62.935	0	0	0,00%
NET RESULT	5.200.742	9.400.953	1.616.036	55,32%

The incomes and expenses realized by the GRUP in 2019, on the two major categories of activities, in relation to the achievements of 2018, are presented as follows:

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Indicators	Realized 31.12.2019	Realized 31.12.2018	Realized 31.12.2017	Index realized 31.12.2019/ realized 31.12.2018
Basic activity				
Operational activity				
Incomes (including provisions for cancellation of provisions)	51.976.211	49.178.226	37.672.845	105,69%
Expenses	50.505.470	43.488.554	36.157.300	116,14%
Gross profit from operational activity	1.470.741	5.689.672	1.515.545	25,85%
Financial activity				
Incomes	819.939	361.371	160.920	226,90%
Expenses	12.897	2.506.099	113.124	0,51%
Financial gross profit	807.042	-2.144.728	47.796	-37,63%
Total incomes from basic activity	52.796.149	49.539.597	37.833.765	106,57%
Total expenses from the basic activity	50.518.367	45.994.653	36.270.424	109,84%
Gross result from the basic activity	2.277.782	3.544.944	1.563.341	64,25%
Active sales activity				
Incomes from asset sales	7.514.816	14.673.559	1.382.160	0,00%
Expenses on assets sold	2.318.435	7.309.729	766.095	31,72%
Gross profit from asset sales	5.196.382	7.363.830	616.065	70,57%
<i>Exploitation incomes</i>	<i>59.491.027</i>	<i>63.851.785</i>	<i>39.055.005</i>	<i>93,17%</i>
<i>Exploitation expenses</i>	<i>52.823.905</i>	<i>50.798.283</i>	<i>36.923.395</i>	<i>103,99%</i>
Gross profit from exploitation	6.667.122	13.053.502	2.131.610	51,08%
<i>TOTAL Incomes</i>	<i>60.310.966</i>	<i>64.213.156</i>	<i>39.215.925</i>	<i>93,92%</i>
<i>TOTAL Expenses</i>	<i>52.836.802</i>	<i>53.304.382</i>	<i>37.036.519</i>	<i>99,12%</i>
TOTAL GROSS PROFIT	7.474.164	10.908.774	2.179.406	68,52%
<i>The expense with the current profit tax</i>	<i>922.731</i>	<i>930.777</i>	<i>42.274</i>	<i>99,14%</i>
<i>The specific tax expense</i>	<i>462.548</i>	<i>467.610</i>	<i>293.512</i>	<i>98,92%</i>
<i>Deferred tax expenses</i>	<i>951.078</i>	<i>109.434</i>	<i>227.584</i>	<i>869,09%</i>



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<i>Incomes related to deferred income tax</i>	62.935	0	0	
NET Result	5.200.742	9.400.953	1.616.036	55,32%

The total incomes of the Group registered in 2019, amounting to 60,310,966 lei (including the provisional cancellation revenues in the amount of 111,928 lei, less the income related to the deferred income tax of 62,935 lei) registered a decrease of 6.08% compared to the volume registered in the previous year 2018 (64,213,156 lei).

From the analysis of the total incomes the following are observed:

- 3.67% increase in the accomodation income registered on the date of 31.12.2019 as compared to the year 2018;
- rental activity increased by 14.57% compared to 2018.
- also, there is a decrease of the incomes from the sale of assets by 48.79% compared to the year 2018;
- At the chapter other incomes, there is an increase of 32.30% compared to the achievements of 2018. This increase is given by the achievement of some revenues that have an exceptional character, incomes that cannot be predicted (incomes from real estate investments, incomes obtained from compensations, revenues obtained from the comparison tax, etc.).
- the financial incomes have increased by 126.90% compared to 2018, revenues coming from the recovery recorded as a result of the full payment of local taxes and taxes in the first quarter of 2019 and from the bank interest received as a result of bank deposits.

The total expenses of the Group recorded in the financial year 2019, amounting to 52,836,802 lei (less the expenses with the tax on profit, deferred and specific), also register a decrease of 0.88% compared to the expenses of the year 2018 (53,304,382 lei), which is due to the reduction of the following elements of expenses:

- expenses on the assets sold and assets held for sale are down 68.28% compared to 2018. These expenses are related to the sale of assets and represent the value of the land and the depreciated value of the assets at the date of sale;
- expenses on external benefits registered an increase of 19.78% compared to the budgetary provision, as a result of the expenses incurred with the demolitions related to the investment works that were executed during this period;
- at the chapter *Other expenses*, there is a decrease of 76.28% compared to the year 2018, as a result of the recording of lower expenses regarding the provisions.

By activities, in relation to the weight of the realized incomes, in total incomes, two major categories can be identified, namely: the basic activity of the Group (strictly operational), generating incomes in the percentage of 86.18% of the total incomes and the sales activity assets,



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according to the strategy approved by the General Meeting of Shareholders for restructuring the company, with incomes of 12.46% of the total.

The total gross profit realized in the amount of **7,474,164 lei** presents, by activities, the following structure:

- Operational activity	1.470.741 lei	19,68 %
- Financial activity	807.042 lei	10,80 %;
- Active sales activity	5.196.382 lei	69,52 %;

On 31st of December 2019, the Group recorded a gross profit from the basic activity of 2,277,782 lei, which means a decrease of 35.75% compared to the year 2018 (3,544,944 lei), having the following indicators in structure:

- The gross profit from the operational activity of **1,470,741 lei** - it registers a decrease with 74.15% compared to the one realized on 31.12.2018 (**5,689,672 lei**);

It is worth mentioning that in 2019 the gross profit from the operational activity was strongly affected by the increase of fixed or variable expenses for which the company does not have control levers, being generated by normative acts, decisions of the local councils or the evolution of prices on the specific markets. We refer here to:

- increase of minimum wage on economy from 1,900 lei to 2,080 lei;
 - the need to adopt a motivating salary policy for seasonal staff, due to the difficulties in the labor market;
 - the effects of applying the new accounting policy regarding the wear of inventory objects;
 - the evolution of the electricity market, etc.
- The gross profit from the financial activity of 807,042 lei - registers an increase in absolute value with 2,951,770 lei compared to the one realized on 31.12.2018 (-2,144,728 lei).

Regarding the gross profit from the sale of assets, we recorded a value of 5,196,382 lei, which represents a decrease of 29.43% compared to the one achieved in 2018 (7,363,830 lei).

The gross profit registered in 2019 of **7,474,164 lei**, registered a decrease by 31.48% compared to the gross profit registered in 2018 of 10,908,774 lei, which is explained to a large extent, on account of the result of the activity of sales of assets, activity complementary to the main object of activity and with an indefinite degree of control by the company.

Therefore, compared to the ones mentioned above, the decrease in 2019 of the gross profit from the operational activity and of the gross profit from the sale of assets, compared with the



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gross profit realized in 2018 (10,908,774 lei) led to a decrease of the gross profit registered for the year 2019 (7,474,164 lei) with 31.48%.

The management of the company took measures, in 2019, to strictly monitor the expenses and to resize them.

Mainly, they consisted of:

- managing the arrival of tourists to certain hotels and restaurants in order to ensure an occupancy degree that will allow them to be operated efficiently and for others to ensure minimum operating conditions;
- reducing utility consumption and optimizing them by establishing crisis consumption rules;
- direct supply of the units, aiming at reducing the costs of transport, storage and distribution.
- rhythmic supply, based on well-grounded necessities, ensuring minimum stocks;
- hiring staff proportionate to the evolution of incomes;
- the return of the goods to the suppliers when the units are closed;
- restriction on general and administrative expenses;
- very careful monitoring of the cash flows correlating the receipts with the payments, reducing the balance of the loan account and the related interests;
- strictly monitoring the maturities in state and local budgets, partners, in order to avoid delays that may lead to the payment of possible penalties and / or fines;
- receivables due, compliance with the recovery procedure.

Concluding, at the end of 2019, the GROUP registered a gross profit in the amount of 7,474,164 lei, and a net profit, determined after deducting the tax on current, deferred and specific tax calculated, according to the legal regulations, in an amount of 5,200,742 lei.

3. Providing financial resources, honoring payment obligations

During 2019, the Group financed its activity by using its own sources and the Parent Company and by committing a credit line with BCR in the amount of 7,500,000 lei, a line which on the date of 31.12.2019 is not used.

As regards the payment obligations, the Group does not register outstanding obligations as of the state budget, banking institutions and other authorities on the date of 31.12.2019.

4. GROUP assets

4.1. The main capacities of accommodation and public food of the parent company (Balneotherapy does not have assets of the nature of the constructions or of the land, it carrying



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out its activity in the treatment bases belonging to the parent company), which are in the tourist circuit in 2018, consist of:

Accommodation units:

- 2 hotels of 4*, with a total capacity of 992 places
- 8 hotels of 3*, with a total capacity of 3,434 places
- 6 hotels of 2*, with a total capacity of 1,546 places

Public catering establishments:

- 2 restaurants of 4*, with a total capacity of 992 seats
- 5 restaurants of 3*, with a total capacity of 2,300 seats
- 5 restaurants of 2*, with a total capacity of 1,418 seats
- 2 day bars of 2*, with a total capacity of 120 seats
- 8 day bars of 3*, with a total capacity of 370 seats
- day bar of 2*, with a total capacity of 60 seats
- 2 buffets of 1*, with a total capacity of 120 seats

Leisure Units:

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

Spa treatment units:

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

In total, the company had 5,972 accommodation places and 4,710 places for public food in 2019.

4.2 Description and analysis of the wear degree of GROUP properties

The assets held by THR Marea Neagră SA are over 45 years old, generally being built between 1968-1972. The assets in the tourist circuit hold classification certificates and legal operating authorizations, meeting the legal requirements for the respective comfort category.

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

A particularity of the activity is represented by the existence in the patrimony of some productive and auxiliary units that are not functional and others with partial functioning, which burden the basic activity and the economic result, given the investment need and the acute lack of



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funds, the low level of the real estate market and implicitly the reduced possibility of capitalizing on the assets approved for sale through the company's strategy.

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

In order to optimize these costs, it was envisaged the partial functioning of some assets where possible, in order to reduce the volume of losses recorded.

5. Assessment of investment and development activity

The group is in constant search for solutions to reduce costs, but also to attract new customers. The group 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 government has completed the gas supply of the stations, the company has started the process of connecting the thermal power plants to the gas network, some of the power stations in Eforie Nord (CT Venus and CT Bran-Brad-Bega) being already connected, with positive impact on the environment as well as the efficient use of financial resources.

In 2019, **the GROUP** made significant investments in the amount of **14,201,691 lei** (including VAT), presented in the following table:

lei			
Crt. No.	Unit	The investment objective	Total value, whereby:
1	Diana hotel	Rehabilitation and modernization works, raising the comfort level from 2* to 3*	7.017.270
2	Cerma hotel	Rehabilitation and modernization of balconies and facades	841.472
3	Aida hotel	Rehabilitation works, equipment	1.511.416
4	Hora hotel	Aestheticizing works	311.818
5	Venus hotel	Building works 67 baths, rehabilitation of waterproofing, refueling with electricity	590.477
6	Sirena hotel	Aestheticizing works	210.680
7	Raluca hotel	Rehabilitation works, room arrangement for people with disabilities	132.879
8	CT BBB, CT Sirena, CT Venus, CT Diana	Connection to the gas distribution system, execution of thermal power plants, installation of methane gas use, projects of installation of hot water boilers	106.326
9	Cold baths mud Ef. Sud	Geotechnical study on the nature of the foundation land for the construction of D + P + 5E building, architecture design at the feasibility study phase – Hotel of 4* equipped with spa and SPA functions	91.518
10	Balada hotel	Bathrooms and rooms doors	72.756
11	Pools	Rehabilitation and modernization	177.669
12	THR units	Various other rehabilitation works	273.801
13	THR units	Various endowments of the nature of fixed assets	488.612



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14	Bases of treatment	Technical equipment	16.332
15	Company	Clarvision ERP economic management system	91.168
		TOTAL INVESTMENTS (lei without VAT)	11.934.194
		VAT	2.267.497
		TOTAL INVESTMENTS (lei inclusively VAT)	14.201.691

The following own sources of financing were used to finance the investments:

Explanations	BVC 2019	Realized on the date of 31.12.2019
Unused financial sources from the previous year	19.566.875	19.566.875
Liquidation	7.131.000	7.968.431
Cash Flow from asset sales	4.700.000	12.978.125
Funding 2018	7.265.450	7.265.450
Total own funding sources	38.663.325	47.778.881
Repayment of performance warranties	(300.000)	(158.843)
Total funding	38.363.325	47.620.038

The investment financing action was fully supported by own sources.

6. Mention of potential problems related to the ownership of the Group's tangible assets

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

- PTTR Agency Saturn travel agency in contradiction with CN Romanian Post

7. The securities market issued by THR Marea Neagră SA

7.1. Specification of markets in Romania and other countries where securities are traded

THR Marea Neagra SA (Mother Company) is a publicly owned company, according to the terminology provided in Law 24/2017 on the capital market, being registered with the National Securities Commission - the Office for Securities Registration.

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

On the last trading day of the year 2019, respectively 31.12.2019, at the closing of the Stock Exchange, the shares of THR Marea Neagră SA were quoted at a maximum value of 0,1160 lei / share, as against 0.0924 lei / share on the date of 30.12.2018.

7.2. Description of the company's dividend policy.



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Specification of the dividends due / paid / accumulated during the last 3 years

For 2016, the General Meeting of the Shareholders of THR Marea Neagra SA has decided to distribute the profit for constituting the legal reserves, their own sources of financing and dividends amounting to 3,936,860 lei.

For the year 2017, the General Meeting of the Shareholders of THR Marea Neagră SA decided to distribute the profit for constituting the legal reserves, of its own sources of financing and dividends amounting to 839,477 lei.

For the year 2018, the General Meeting of the Shareholders of THR Marea Neagră SA has decided to distribute the profit for the constitution of the legal reserves, of their own financing sources and dividends amounting to 9,823,215 lei.

7.3. Description of any activities of the commercial company THR Marea Neagra SA to purchase its own shares.

In the AGEA of THR Marea Neagră SA from 22.10.2019, it was decided to redeem its own shares by the company, in accordance with the applicable legal provisions, under the following conditions:

- size of the program - maximum 5,789,499 shares with a nominal value of 0.10 lei / share, representing 1.00% of the share capital;
- the acquisition price of the shares: the minimum price shall be equal to the market price of the shares of the Bucharest Stock Exchange from the moment of the purchase, and the maximum price shall be 0,15 lei / share;
- the duration of the program: the maximum period of 9 months from the date of publication of the decision A.G.E.A in the Official Gazette of Romania, part IV;
- the payment of the repurchased shares - from the available reserves (except legal reserves) entered in the last approved annual financial statements;
- the purpose of the program - the distribution of the repurchased shares, free of charge, to the members of the Supervisory Board, the members of the Board of Directors and the employees of the company, in order to make their activity more efficient and loyal, within a "Stock Option Plan" program.

Through the current Report transmitted to BVB and ASF on 13.12.2019, THR Marea Neagră informed the shareholders about the start of the share repurchase program, according to the AGEA Decision no. 1 / 22.10.2019, with the following characteristics:

- Period: 16.12.2019 – 13.08.2020;
- Shares number: maximum 5.789.499 shares;
- Daily volume: maximum 25% of the average daily volume of shares traded on the BSE, calculated on the basis of the average daily volume of the 20 trading days preceding the



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date on which the acquisition takes place, according to art.3 paragraph (3) letter b) of the EU Delegated Regulation 2016/1052;

- Price: the minimum purchase price will be the market price from BVB from the moment of the purchase, the maximum price - 0,15 lei / share, according to the AGEA decision no. 1 / 10.22.2019;
- Purpose of the program: to distribute shares for free to the members of the Supervisory Board, to the members of the Board of Directors and to the employees of the company, in order to make their activity more efficient and loyal, within a “stock option plan” program;
- Intermediary: ESTINVEST S.A.

The total number of own shares repurchased in 2019 was 106,335 representing 1.8367% of the maximum allowed, at a redemption value of 13.895.64 lei and at an average price / share of 0.1307 lei.

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

THR Marea Neagră SA 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 Transilvania Hotels & Travel.

7.5. If the company has issued bonds and / or other debt securities, a presentation of the way in which the company pays its obligations to the holders of such securities.

The company THR Marea Neagră SA has not issued bonds during the period of 2019.

8. THE MANAGEMENT of the two companies that make up the Group

8.1. The Supervisory Board

In 2019, the Directorate of the company THR Marea Neagra SA, was controlled by a Supervisory Board consisting of 3 members:

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



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IBAN Account: RO71 RNCB 0117 0151 6314 0001, Banca Comercială Română – Mangalia Agency
Subscribed and paid capital : 57.894.993,9 lei

Two tier corporate model



Website: www.thrmareaneagra.ro

The Supervisory Board met regularly in meetings, in accordance with the provisions of Law 31/1990 republished and in accordance with the provisions of the Articles of Incorporation.

a) any agreement, understanding or family connection between the respective administrator and another person due to whom the person was appointed administrator

It's not necessary.

b) attendance of the members of the Supervisory Board in the capital of the company

Mister Mielu Dobrin, President of the Supervisory Board, owns 406,759 shares issued by the company.

c) list of persons affiliated to the company:

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

- S.I.F. Transilvania S.A., a company that holds 77.71% of the shares issued by T.H.R. Marea Neagră S.A. ;
- Balneoterapia Saturn S.R.L., a company in which T.H.R. Marea Neagră S.A. owns 100% of the issued shares;
- Transilvania Hotels & Travel S.A., company to which T.H.R. Marea Neagră S.A. owns 32,059% of its share capital.

BALNEOTHERAPY, In 2019, it was managed by a single manager, in the person of Mrs. Costina Zaberca.

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

THR MAREA NEAGRĂ SA

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

The composition of the Directorate throughout 2019 and on the date of **31.12.2019** was:

- Moșoiu Georgiana Narcisa – President of the Board of Directors / General Manager
- Stănescu Constantin – Vice-President of the Board of Directors / Technical Manager
- Cristian Mircea Gheorghe – Member of the Board of Directors / Economic Manager



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

It's not necessary..

b) *attendance of the members of the board of directors in the capital of the company*

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

All the efforts of the Supervisory Board and the Board of Directors were oriented towards fulfilling the company's mission to provide quality services, with the help of qualified personnel. Also, the priority objective is the development of the technical-material base, the rehabilitation and modernization of the existing one, through a coherent and consistent investment program, under the conditions of a real protection of the environment.

The Supervisory Board and the Board of Directors followed the execution of the monthly, quarterly and half-yearly revenue and expenditure budget and the approved investment and repair program.

The forecasting and organizing effort of the Supervisory Board and the Board of Directors has resulted in future development programs of the company, computerization programs, programs for promoting and recruiting staff and increasing the quality of the tourism product, systems of procedures for the main activities of the company and reconsideration its organizational structure.

BALNEOTERAPIA S.R.L.

In 2019, the executive management of the company was represented by Mr. Epure Ioan - Chief Accountant.

8.3. For all persons presented in 8.1. and 8.2., specifying any disputes or administrative procedures in which, during the last 5 years, they were involved regarding their activity within the issuer, as well as those regarding the capacity of the respective person to perform their duties within the issuer.

It's not necessary.



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

9.1. The management of the insured group and ensures a prudent management of the liquidity risk, constantly pursuing the assurance of sufficient cash, so as to cope in time with the payments due.

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

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

In its activity, the Group 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, they face controllable risks, for which active management policies and procedures (analysis, monitoring and control) are adopted.

These risks are associated with internal factors such as the nature of the activity, the complexity of the organizational structure, the quality of the staff, etc.

The main risks to which the company is exposed are:

- liquidity risk

Liquidity is the ability of the company to provide the necessary funds to fulfill all its direct and indirect payment obligations, at a reasonable price at any time.

The liquidity risk is the actual or potential risk to which the company's profits and capital could be subject due to its inability to meet its payment obligations at maturity.

The company has always sought to ensure a balance between its financing sources and its short-term needs, so that 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 that it can detect in time a possible lack of liquidity and can take measures accordingly.

- operational risk

Operational risk is defined as the risk of recording losses or not realizing the estimated profits due to internal factors such as the inadequate performance of internal activities, the existence of inadequate personnel or systems or due to external factors such as economic



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conditions, changes. on the capital market, technological advances. The operational risk is inherent in all the activities of the Company.

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

9.2. Perspectives on the Group's activity

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 treatment factors.

The company has identified this opportunity and obtained licenses to exploit these natural resources, extending the capacity of the treatment bases, so that it can cope with the demand for such services. Also, starting with November 2019, the procedure for authorizing the company to provide spa treatment services has begun.

This segment of the spa tourism assures the diminution of the effects of the seasonality of the tourist activity and helps to attract tourists and from abroad, especially from the European area. European Directive no. 24/2011 rules the rights of patients in cross-border healthcare, ensuring the legal framework to guarantee the rights of European citizens to benefit from medical services in all EU countries. One of the main concerns of the company is to attract this segment of tourists.

Another development direction is leisure tourism, which is a priority for the company, having at the design stage the redevelopment of the environmental environment, including the development of recreational facilities. A major concern of the company is the expansion of distribution channels. The company is in a continuous search for new customers, and the strengthening of the market relations with the current customers.

10. CORPORATE GOVERNANCE of the Company THR Marea Neagră SA

The Supervisory Board and the Board of Directors met regularly in the meeting, according to the provisions of Law 31/1990 republished and whenever it was needed, its attributions being provided in the Constitutive Act.

During 2019, the activity of the Supervisory Board and the Board of Directors was focused on achieving the object of activity of the company in accordance with A.G.A. decisions, the legal provisions and the provisions of the Constitutive Act.



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One of the constant concerns of the members of the Supervisory Board and of the Board members was the increase of sales through the development of the sales compartment, the identification of new customers and the loyalty of traditional customers.

Also, the policy of promoting tourism products was envisaged by launching special offers and customized offers for specific categories of tourists.

The company actively sought out potential customers, organized public tenders and conducted appropriate publicity for such transactions.

The company's disputes are systematically monitored by the Supervisory Board and the Board of Directors, so that each meeting of the board had at least one item on the main litigations of the company. The options that the company has in these cases were analyzed and, where appropriate, law firms specialized in such litigation were hired.

The Supervisory Board has 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 Board of Directors are clearly established, being stipulated in the Articles of Incorporation and in the mandate contracts concluded with the company.

In 2019, within the company there was an internal control system, working procedures were established for the main activities. Internal control is ensured at all levels, within the company being organized an Office of internal financial control and management.

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

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

The financial and accounting reports of the company are sent to the tax authorities and market bodies, within the deadlines provided by law.

The company registers on 31.12.2019 a registered capital amounting to 57,894,993.90 lei, subscribed and paid up share capital, representing a number of 578,949,939 registered, ordinary, dematerialized and indivisible shares with a nominal value of 0.1 lei / share.



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

During the year 2019 the subscribed and paid-up share capital has not changed, the structure of the shareholders as on the date of 31.12.2019, taken over from the BVB website is as follows:

Shareholders	Percentage (%)	Shares number	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 has no schemes for granting shares to employees and there are no restrictions on voting rights. Also, it is not aware of agreements between shareholders that may result in restrictions on the transfer of securities and / or voting rights.

The appointment or replacement of the members of the management of the company, as well as the modification of the constitutive acts are done according to the legal provisions. So far, the proposals of members in the Supervisory Board have been made by the majority shareholder, the appointment being decided by the General Meeting of Shareholders.

The President of the Supervisory Board is elected by vote of the members of the Supervisory Board.

As regards the appointment of the members of the Board of Directors and of the functions within the Board of Directors, this is done by the Supervisory Board.

The conferences of the general meetings of the shareholders are held as follows:

- it is verified the presence list of the shareholders, the share capital that each represents and the fulfillment of the legal requirements and the provisions of the Articles of Incorporation for holding the general meeting;



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- the items on the agenda of meeting are presented and put to the vote;
- AGA decision are taken by open vote, except for the appointment of the members of the Supervisory Board and the financial auditor for whom the secret vote is mandatory;
- the result of the votes shall be verified and recorded in the minutes of the meeting.

The shareholders have non-patrimonial rights (the right to attend the general meetings of the shareholders, the right to vote, the right to inform) and patrimonial rights (the right to dividends and the right to alienate the shares).

11. Conclusions and proposal for sharing the profit of the parent company

In 2019, THR Marea Neagră SA carried out its activity in accordance with the provisions of the Constitutive Act, of AGA decisions, of the Budget of Income and Expenses, in compliance with the legislation in force regarding the organization and reflection in the accounting of the specific activity, as well as the market regulations of capital.

At the end of 2019, the Company registered a net profit of 5,592,062.39 lei, on which the Board proposes to be distributed as follows:

1. At the legal reserve according to art. 183 from the Law 31/1990 of commercial companies, republished	392.042,00 lei
2. Distribution to other reserves	2.015.795,73 lei
3. The distribution of dividends to shareholders (gross dividend/share = 0,0055 lei)	3.184.224,66 lei

Narcisa MOȘOIU

GENERAL MANAGER/PRESIDENT OF THE BOARD OF DIRECTORS

Constantin STĂNESCU

TECHNICAL MANAGER/VICE-PRESIDENT OF THE BOARD OF DIRECTORS

Sofia Zăgăneanu

MANAGER OF SPA ACTIVITY / BOARD OF DIRECTORS MEMBER

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.



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