

Translation from Romanian

**TURISM, HOTELURI, RESTAURANTE
MAREA NEAGRA S.A.**

Head office: Romania, Mangalia, 29 Lavrion Street, Constanta County, tel.: +40-241-752-452; fax:+40-241-755-559

No. registration at Trade Register Constanta: J13/696/1991, CIF: RO2980547,

IBAN account: RO71 RNCB 0117 0151 6314 0001, Romanian Trade Bank- Mangalia subsidiary

Social subscribed and paid up capital: 57.894.993,9 lei

www.thrmareaneagra.ro

Material afferent to point no. 2 of the AGOA agenda concerning

The presentation of the project of Budget of Incomes and Expenses for the year 2021

We present you above **the synthetic situation of the indicators forecast for the year 2021**, compared to the preliminary at 31.12.2020

No. crt	Indicators	BVC 2020	Preliminary at 31 December 2020	BVC 2021	Indexes BVC 2021/BVC 2020	Indexes BVC 2021/ Preliminary at 31.12.2020
0	1	2	3	4	5	6
1	A.1.Incomes from exploitation	52,269,400	41,518,285	56,313,900	104.74%	135.64%
2	-incomes from rental	26,168,500	11,899,990	27,000,000	103,18%	226,89%
3	-incomes from public food service	13.599.000	5,985,242	13,500,000	99,72%	222.55%
4	-incomes from locations and rentals	3,424,000	3,475,143	2,946,000	86,04%	84.77%

5	-other incomes from exploitation	4,377,900	1,895,248	2,867,900	65.51%	151.32%
6	-incomes from asset sale	4,700,000	18,262,662	10,000,000	217.77%	54.76%
7	A.2.Expenses from exploitation	45,504,290	36,735,510	47,248,900	103.83%	128.62%
8	-expenses with goods	4,302,000	1,976,462	4,185,000	96.88%	211.74%
9	-material expenses	2,556,960	1,938,295	1,593,000	62.30%	82.19%
10	-expenses with inventory objects	599,400	892,466	750,000	125.13%	84.04%
11	-expenses with utilities	3,005,500	1,811,867	3,685,000	122.61%	203.38%
12	-expenses with external services	5,083,033	4,898,397	5,062,200	99.59%	103.34%
13	-marketing, protocol expenses	89,500	48,534	50,000	55.87%	103.02%
14	-expenses with taxes	3,204,897	2,769,163	4,359,800	136.04%	157.44%
15	-personnel expenses	17,848,900	10,345,203	14,776,900	82.79%	142.84%
16	-expenses with depreciation	6,800,600	6,001,346	6,720,000	98.81%	111.97%
17	-other exploitation expenses	715,500	877,130	617,000	86.23%	70.34%
18	-pro rata expenses	406,000	416,538	400,000	98.52%	96.03%
19	-expenses with asset sale	874,000	4,760,108	5,050,000	577.80%	106.09%
20	Profit from exploitation	6,756,110	4,782,775	9,065,000	134.00%	189.53%
21	B.1.Financial incomes	483,120	765,898	80,000	16.56%	10.45%

22	B.2. Financial expenses	2,000	1,514	360,000	18000.00%	23770.54%
23	Financial profit	481,120	764,383	-280,000	0%	0%
24	Total incomes, of which	52,752,520	42,284,183	56,393,900	106.90%	133.37%
25	Turnover	45,778,400	22,776,047	46,258,900	101.05%	203.10%
26	Total expenses	45,506,290	36,737,025	47,608,900	104.62%	129.59%
27	Total gross profit	7,246,230	5,547,158	8,785,000	121.24%	158.37%

No. crt	Indicators	BVC 2020	Preliminary at 31 December 2020	BVC 2021	Indexes BVC 2021/BVC 2021	Indexes BVC 2021/ Preliminary at 31.12.2020
0	1	2	3	4	5	6
1	Exploitation incomes from the operational activity	43,895,400	19,064,346	43,067,900	98.11%	225.91%
2	Exploitation expenses from the operational activity	35,630,290	21,809,730	32,495,020	91.20%	148.99%
3	Gross exploitation profit from the operational activity	8,265,110	-2,745,384	10,572,880	127.92%	485.11%
4	Other incomes from the exploitation activity	3,674,000	4,191,278	3,246,000	88.35%	77.45%
5	Other expenses from the exploitation activity	9,000,000	10,165,673	9,703,880	107.82%	95.46%
6	Gross profit from other exploitation activities	-5,326,000	-5,974,395	-6,457,880	121.25%	108.09%

7	Financial incomes	483,120	765,898	80,000	16.56%	10.45%
8	Financial expenses	2,000	1,514	360,000	18000.00%	23770.54%
9	Gross profit from the financial activity	481,120	764,383	-280,000	0%	0%
10	Incomes from the exploitation activity	48,052,520	24,021,521	46,393,900	96.55%	193.13%
11	Expenses from the exploitation activity	44,632,290	31,976,917	42,558,900	95.35%	133.09%
12	Gross profit from exploitation	3,420,230	-7,955,396	3,835,000	112.13%	148,21%
13	Incomes from asset sale	4,700,000	18,262,662	10,000,000	212.77%	54.76%
14	Expenses with sold assets	874,000	4,760,108	5,050,000	577.80%	106.09%
15	Gross profit from asset sale	3,826,000	13,502,554	4,950,000	129.38b %	36.66%
16	Total incomes	52,752,520	42,284,183	56,393,900	106.90%	133.37%
17	Total expenses	45,506,290	36,737,025	47,608,900	104.62%	129.59%
18	Gross profit	7,246,230	5,547,158	8,785,000	121.24%	158.37%

The Budget of Incomes and Expenses for the year 2021 was built on the budgeting of incomes from the operational activity superior to those realized in the year 2020.

Regarding the quantification of the level of expenses and identification of possibilities to decrease them, the intervention margin is limited owed to the exogenous factors such as: fiscality elements, modifications brought to the Labour Code, complying with all the criteria and rigors imposed by the specific law, being controlled by numerous institutions with role of control and verification.

TURISM, HOTELURI, RESTAURANTE
MAREA NEAGRA S.A.

Head office: Romania, Mangalia, 29 Lavrion Street, Constanta County, tel.: +40-241-752-452; fax:+40-241-755-559

No. registration at Trade Register Constanta: J13/696/1991, CIF: RO2980547,

IBAN account: RO71 RNCB 0117 0151 6314 0001, Romanian Trade Bank- Mangalia subsidiary

Social subscribed and paid up capital: 57.894.993,9 lei

www.thrmareaneagra.ro

At the elaboration of incomes and expenses budget was taken into account:

-a level of **total incomes of 56,393,900 lei**, representing an overdraw of 33,37% of the accrued level at 31 Dec. 2020, of which:

-incomes from the operational exploitation activity- 43,067,900 lei

-other incomes from the exploitation activity- 3,246,000 lei

-incomes from assets sale- 10,000,000 lei

-financial assets- 80,000 lei

-a volume of **total expenses of 47,608,900 lei**, which are with 29,59% higher than the total accrued expenses at 31 Dec. 2020, of which:

-expenses from the operational activity – 32,495,020 lei

-other expenses from the exploitation activity- 9,703,880 lei

-expenses from the activity of assets sale- 5,050,000 lei

-financial expenses- 360,000 lei

-a gross result in sum of 8,785,000 lei, with 58,37% higher than the accrued level at 31 Dec. 2020, of which:

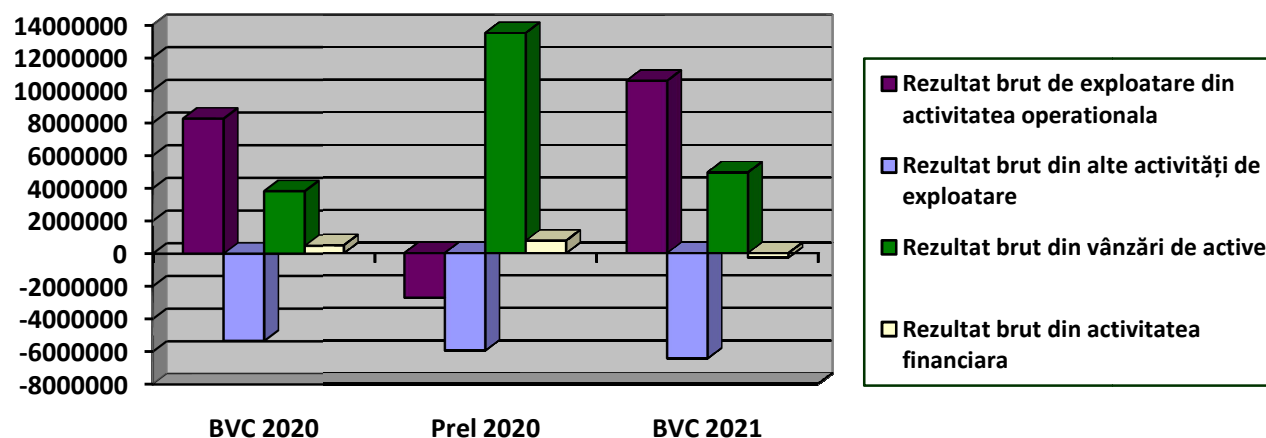
-gross result of the operational activity- 10,572,880 lei

-gross result of other exploitation activities- (6,457,880) lei

-gross result, activity of assets sale- 4,950,000 lei

-gross result from the financial activity – (280,000) lei

The structure of the result budgeted on 2021, compared to the preliminary of the year 2020, is given in this graphic:



The budget of incomes and expenses is structured in four activity categories, such as: **-Operational activity;**

-Other exploitation activities;

-Assets sale;

-Financial activity.

1. Operational activity

1.1 Incomes from the operational activity (accommodation, public food service, treatment and amusement)

-at the substantiation of operational activity incomes, it was taken into consideration the forecast touristic circulation, combined with the afferent tariff policy, being forecast a total volume of 43,067,900 lei of the operational activity, of which: 27,000,000 lei for accommodation, 13,500,000 for public food service, 2,400,300 lei for treatment and 1,231,300 lei for other incomes afferent to the operational activity, as: parking services (reservation tax), pool services (access taxes), rental of chaises and umbrellas (Saturn beach), provision of heat to third parties and (-) 1,063,700 lei granting of over commission to tour-operators for the volume of sales.

• Incomes accommodation foreseen for the year 2021

Total incomes from accommodation for the year 2021: **27,000,000 lei**, representing an increase of 126,89% compared to the accrued of the year 2020.

The estimation of the income evolution is substantiated mainly on the increase of the number of overnights.

• Incomes from public food service for the year 2021

The total incomes from public food service forecast for the year 2021 is of 13,500,000 lei, representing an increase compared to 2020, of 125,55%.

• Incomes from medical services forecast for the year 2021

Incomes from medical services are forecast with an increase of 109,39% compared to the accrued of the year 2020.

1.2. Expenses from the operational activity

The expenses have, mainly, a modification in the sense of income evolution, being though followed the registration of an increase rate inferior to them, in order to ensure the realization of an optimum rentability level.

For the exploitation expenses of operational activity, it was forecast a level of 32,495,020 compared to the previous year, when they registered 21,809,730 lei.

At the chapter Exploitation expenses of operational activity it was taken into account the increase of the number of overnights and also the increase of prices and tariffs communicated in the market by the service providers.

In this sense, for the year 2021, **the expenses with utilities** have been foreseen with an increase of approximately 103,38% compared to year 2020. This increase was budgeted as consequence of the number of overnights increase, on one side and the additional budgeted consume for the treatment procedure within the spa activities, on the other.

The expenses with goods, in amount of 4,185,000 lei, forecast in the budget for the year 2021, are growing with 111,74% compared to the accrued of 2020 and represent 31% of the incomes for public food service.

The expenses with external services (cleaning, debug, maintenance/service, maintenance/repairs, cable-service subscription, IT assistance etc.) were mainly substantiated based on the existent elements at this moment, being followed the realization of tariffs comparable with the ones of year 2020.

The personnel expenses, the most important category of expenses in the hospitality industry, represent a major ratio from the total exploitation expenses- 31,04%. These expenses (expenses with the personnel's salaries, the company's expenses with the salaries, social expenses acc. to art. 25 of Labour Code- benefits granted according to CCM, expenses with meal tickets for employees) in amount of 14,776,900 lei register a growth compared to the expenses of the year 2020 with 42,84%.

The increase of these expenses representing salaries is justified by:

- the increase of the national minimum wage from 2230 lei to 2400 lei;

- as consequence of the lack of available human resource on the labour market, it was adopted a motivating salary policy for the season personnel;

The expenses with local taxes register a growth with 57,44%, as consequence of the Decision no. 259 at 07.11.2019, issued by the Local Council Mangalia, through which are modified the conditions of granting the diminution of local taxes with 50% for tax payers which provide tourism services on at least 6 months in a calendar year period.

1.3 The gross result from the operational activity forecast for the year 2021 is of 10,572,880 lei and represents an increase of 385,11% compared to the accrued at 31.12.20020

2.Incomes from other exploitation operations

In this category of incomes we include:

- **Incomes from rentals** it was foreseen an amount of 2,946,000 lei compared to 3,475,143 lei accrued for year 2020. The diminution of these incomes is based on the annulment of the rental contract for Siret Resort from Saturn locality.

- **Other incomes from exploitation**, at this chapter there were included incomes from exploitation, exceeding the Turnover, constituted mostly from providing heat to third parties.

2.1. Expenses from other exploitation activities

These expenses are strongly affected by the increase of fix or variable expenses afferent to other activities, connected operational activities, for which we do not have control.

A particularity of the activity is represented by the existence in the patrimony of some productive and auxiliary units in preservation and others partially functioning, which affect the base activity and the economic result, being given the investment necessity and lack of funds.

These assets generate flat and variable expenses, necessary for preservation, fixed expenses like taxes, being amended by the Fiscal Code.

3.Assets sale

3.1 At the chapter Incomes from assets disposal, it was forecast the amount of 10,000,000 lei, based on the management strategy for the year 2021

3.2 Expenses with assets sale- it was forecast the sum of 5,050,000 lei.

3.3 The gross result from the assets sale forecast for the year 2021 is of 4,950,000 lei and represents 36,66% of the accrued at 31.12.2020

4 Financial activity

4.1 At the chapter Financial incomes it was forecast the total sum of 80,000 lei, coming from the collection of bank interests afferent to the deposits constituted at this date.

4.2 The financial expenses were foreseen at the amount level of 360,000 lei. The financial expenses are mainly bank interests afferent to the bank credits taken by the company for the temporary financing of the exploitation activity and the investment program, program developed in the extra-season period, the internal sources being realized mainly in the third trimester.

4.3 The gross result from the financial activity forecast for the year 2021 is of (280,000) lei, being generated by the significant reduction of the financial incomes.

In conclusion, the Forecast gross result for the year 2021, determined based on the above elements, is concretized in a gross profit of **8,785,000 lei**, in structure on activities, being presented in this way:

-Result from the exploitation activity, of which:	3,835,000 lei
-Result from operational activity exploitation	10,572,880 lei
-Result from other exploitation activities	(6,457,880) lei
-Financial result	(280,000) lei
-Result from assets sale	4,950,000 lei

Administration Council,
Through Mr. Raduta-Gib Tony-Cristian

I, the undersigned **Cirlan Georgiana Andreea**, a sworn translator for foreign languages English – Spanish, according to authorization no.30019/2010, issued by Ministry of Justice from Romania, hereby certify this to be a true and correct translation from Romanian to English, that the presented text was translated completely, without omissions, and that, by translation, the content and meaning of the document haven't been distorted.