

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

**CONSOLIDATED FINANCIAL STATEMENTS AT DECEMBER, 31 2020**

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

**TURISM, HOTELURI, RESTAURANTE MAREA NEAGRA SA**

**CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020  
(All amounts are presented in RON)**

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

**TURISM, HOTELURI, RESTAURANTE MAREA NEAGRA SA**

**STATEMENT OF CONSOLIDATED PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME  
FOR THE FINANCIAL YEAR ENDED AT 31 DECEMBER 2020  
(All amounts are presented in RON)**

For the financial year ended at 31 December	Note	Row	(RON)	(RON)
			2020	2019
<b>Continuing operations</b>				
<i>Income from accommodation</i>	3	1	11,861,320	30,471,444
<i>Income from catering</i>	3	2	5,973,277	14,399,840
<i>Rental income</i>	3	3	3,485,443	1,305,195
<i>Other income included in turnover</i>	3	4	1,781,005	2,850,995
<i>Income from disposals of tangibles and non-current assets held for sale</i>	4	5	18,327,776	7,514,816
<i>Income from operating subsidies</i>		6	90,603	0
<i>Other income</i>	3	7	727,517	2,836,809
<b>Total Operational Income</b>		8	<b>42,246,940</b>	<b>59,379,099</b>
<i>Expenses related to inventories</i>	6	9	4,945,167	8,945,901
<i>Utility expenses</i>	6	10	1,837,344	3,098,955
<i>Employee benefits expense</i>	5	11	11,979,821	17,502,661
<i>Depreciation and amortization expenses</i>	6	12	6,280,684	9,609,824
<i>Expenses related to disposed fixed assets and assets held for sale</i>	6	13	4,728,556	2,265,609
<i>Other taxes</i>	6	14	3,402,125	4,225,644
<i>Expenses related to external services</i>	6	15	3,710,663	6,751,655
<i>Other expenses</i>	6	16	(39,595)	311,728
<b>Total Operational expenses</b>		17	<b>36,844,764</b>	<b>52,711,977</b>
<b>The result of operational activities</b>		18	<b>5,402,176</b>	<b>6,667,121</b>
<i>Financial income</i>		19	875,094	819,939
<i>Financial expenses</i>		20	2,176	12,897
<b>Net financial result</b>		21	<b>872,918</b>	<b>807,042</b>

**TURISM, HOTELURI, RESTAURANTE MAREA NEAGRA SA**

**STATEMENT OF CONSOLIDATED PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME  
FOR THE FINANCIAL YEAR ENDED AT 31 DECEMBER 2020  
(All amounts are presented in RON)**

For the financial year ended at 31 December	Note	Row	(RON)	(RON)
			2020	2019
<b>Result before taxation</b>		<b>22</b>	<b>6,275,094</b>	<b>7,474,163</b>
<i>Current income tax expense</i>		23	1,781,755	922,731
<i>Specific activity tax</i>		24	252,008	462,548
<i>Deferred income tax expenses</i>	7	25	125,963	951,078
<i>Deferred income tax income</i>		26	0	62,935
<b>Result for continuing operations</b>		<b>27</b>	<b>4,115,366</b>	<b>5,200,742</b>
<b>Other comprehensive income</b>				
<i>Increase/(decrease) of revaluation surplus</i>		28	(3,605,845)	481,856
<i>Tax related to other comprehensive income</i>	7	29	(346,260)	253,563
<b>Other comprehensive income after taxation</b>		<b>30</b>	<b>(3,952,106)</b>	<b>735,419</b>
<b>Total comprehensive income for the period</b>		<b>31</b>	<b>163,261</b>	<b>5,936,161</b>

Earnings per share (RON/share) **0,0071** **0.0090**

Diluted earnings per share (RON/share) **0,0071** **0.0090**

The consolidated financial statements were approved by the Board of Directors on March 17, 2021 and were signed by:

CHIEF EXECUTIVE OFFICER  
MIHAI ZAMFIR

CHIEF FINANCIAL OFFICER  
MADALINA COMSA

**TURISM, HOTELURI, RESTAURANTE MAREA NEAGRA SA**

**STATEMENT OF CONSOLIDATED FINANCIAL POSITION**  
**AS AT 31 DECEMBER 2020**  
 (All amounts are presented in RON)

As at 31 December	Note	Row	(RON)	(RON)
			2020	2019
<b>Assets</b>				
<b>Non-current assets</b>				
<i>Tangible assets</i>				
<i>Freehold land and land improvements</i>	8	1	60,839,652	58,938,194
<i>Buildings</i>	8	2	104,648,181	100,007,273
<i>Plant and machinery, motor vehicles</i>	8	3	5,059,003	6,213,922
<i>Furniture, office equipment [...]</i>	8	4	5,407,540	6,488,114
<i>Advances and property, plant and equipment in progress</i>	8	5	8,805,088	8,145,513
<i>Intangible assets</i>		6		
<i>Concessions, patents, licenses, trademarks, similar rights and assets</i>		7	227,647	311,509
<i>Other intangible assets</i>	9	8	130,559	181,944
<i>Advances and intangible assets under construction</i>		9	13,286	0
<i>Assets related to the rights to use leased assets (IFRS16)</i>		10	259,470	0
<i>Fixed assets</i>		11	468,339	462,004
<i>Real estate investments</i>	8;10	12	25,513,673	29,274,302
<i>Financial assets</i>	11	13	0	0
<i>Deferred tax assets</i>	7	14	0	0
<b>Total fixed assets</b>		<b>15</b>	<b>211,372,437</b>	<b>210,022,775</b>
<b>Current Assets</b>				
<i>Inventories</i>	12	16	845,862	1,665,470
<i>Current tax receivables</i>		17	147,278	0
<i>Trade receivables</i>	13	18	501,177	567,318
<i>Other receivables</i>	13	19	3,551,692	2,932,574
<i>Expenses registered in advance</i>	14	20	77,425	467,790
<i>Cash and cash equivalents</i>	15	21	20,710,046	31,718,771

**TURISM, HOTELURI, RESTAURANTE MAREA NEAGRA SA**

**STATEMENT OF CONSOLIDATED FINANCIAL POSITION**  
**AS AT 31 DECEMBER 2020**  
 (All amounts are presented in RON)

As at 31 December	Note	Row	(RON)	(RON)
			2020	2019
<i>Assets classified as held for sale</i>	<b>16</b>	<b>22</b>	24,858,415	29,359,724
<b>Total Current Assets</b>		<b>23</b>	<b>50,691,895</b>	<b>66,711,647</b>
<b>Total Assets</b>		<b>24</b>	<b>262,064,332</b>	<b>276,734,422</b>
<b>Equity</b>				
<i>Share capital</i>	17	25	57,894,994	57,894,994
<i>Capital adjustment following adoption of IAS 29 for the first time</i>	17	26	85,945,333	85,945,333
<i>Share premium</i>	18	27	1,895,855	1,895,855
<i>Reserves</i>	18	28	24,914,052	32,929,447
<i>Inflated reserves application of IAS 29 for the first time</i>	18	29	16,745,901	16,745,901
<i>Own shares and Losses related to the sale / cancellation of equity instruments</i>		30	(299,963)	(13,975)
<i>Differences from revaluation</i>	18	31	102,114,289	105,720,135
<i>Result for the period</i>	19	32	4,115,367	5,200,742
<i>Retained earnings except retained earnings from the adoption of IAS 29 for the first time</i>	19	33	60,866,479	57,651,954
<i>Retained earnings came following the application of IAS 29 for the first time</i>	19	34	(102,691,275)	(102,691,275)
<i>Other elements of equity</i>	20	35	(12,735,714)	(13,137,054)
<b>Total Equity</b>		<b>36</b>	<b>238,765,317</b>	<b>248,142,056</b>
<b>Liabilities</b>				
<b>Long-term liabilities</b>				
<i>Trade payables and other liabilities, including derivatives</i>	21	37	300,653	161,559
<i>Provisions</i>	22	38	707,852	641,672
<i>Deferred tax liabilities</i>	7	39	13,151,453	13,371,749

**TURISM, HOTELURI, RESTAURANTE MAREA NEAGRA SA**

**STATEMENT OF CONSOLIDATED FINANCIAL POSITION**  
**AS AT 31 DECEMBER 2020**  
 (All amounts are presented in RON)

<b>Total Long-term liabilities</b>		<b>40</b>	<b>14,159,958</b>	<b>14,174,980</b>
<b>Current liabilities</b>				
<i>Short-term loans</i>	21	41	1,273,484	0
<i>Trade payables and other debts, including derivatives</i>	21	42	5,954,987	6,189,626
<i>Advances and guarantees received</i>	21	43	1,683,028	7,397,021
<i>Revenues recorded in advance</i>		44	(699)	0
<i>Provisions</i>	22	45	228,257	409,730
<b>Total Current liabilities</b>		<b>46</b>	<b>9,139,057</b>	<b>13,996,377</b>
<b>Total Liabilities</b>		<b>47</b>	<b>23,299,015</b>	<b>28,171,356</b>
<b>Total Equity and Liabilities</b>		<b>48</b>	<b>262,064,332</b>	<b>276,313,412</b>

The consolidated financial statements were approved by the Board of Directors on March 17, 2021 and were signed by the:

CHIEF EXECUTIVE OFFICER  
 MIHAI ZAMFIR

CHIEF FINANCIAL OFFICER  
 MADALINA COMSA

**TURISM, HOTELURI, RESTAURANTE MAREA NEAGRA SA**

**STATEMENT OF CONSOLIDATED CHANGES IN EQUITY  
FOR THE FINANCIAL YEAR ENDED AT 31 DECEMBER 2020  
(All amounts are presented in RON)**

<b>Explanation</b>	<b>Share capital</b>	<b>Share capital adjustments IAS 29</b>	<b>Share premium account</b>	<b>Revaluation surplus</b>	<b>Reserves</b>	<b>Reserve adjustments IAS 29</b>	<b>Own shares and Losses related to the sale / cancellation of equity instruments</b>	<b>Retained earnings except retained earnings from the adoption of IAS 29 for the first time</b>	<b>Retained earnings according IAS 29 first time adopted</b>	<b>Result for the period</b>	<b>Other elements of equity</b>	<b>Total equity</b>
<b>Balance at January 1 2019</b>	<b>57,894,994</b>	<b>85,945,333</b>	<b>1,895,855</b>	<b>105,238,277</b>	<b>28,188,838</b>	<b>16,745,901</b>	<b>0</b>	<b>55,169,050</b>	<b>(102,691,275)</b>	<b>9,400,951</b>	<b>(13,056,602)</b>	<b>244,731,322</b>
Reductions in output (sales, scraping, restitution)	0	0	0	(2,905,168)	0	0	0	2,905,168	0	0	0	0
Loss/ Net profit for the year	0	0	0	0	4,348,567	0	0	(9,823,215)	0	5,200,742	565,153	291,246
Repurchase of own shares	0	0	0	0	0	0	(13,975)	0	0	0	0	(13,975)
Transfer to reserves	0	0	0	0	392,042	0	0	9,400,951	0	(9,400,951)	(645,605)	(253,562)
<b>Other elements of the overall result</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>3,387,024</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>3,387,024</b>
Revaluation reserves	0	0	0	3,387,024	0	0	0	0	0	0	0	3,387,024
<b>Balance at 31 December 2019</b>	<b>57,894,994</b>	<b>85,945,333</b>	<b>1,895,855</b>	<b>105,720,133</b>	<b>32,929,447</b>	<b>16,745,901</b>	<b>(13,975)</b>	<b>57,651,954</b>	<b>(102,691,275)</b>	<b>5,200,742</b>	<b>(13,137,054)</b>	<b>248,142,056</b>
Reductions in output (sales, scraping, restitution)	0	0	0	(3,605,845)	0	0	0	3,605,845	0	0	0	0
Repurchase of own shares	0	0	0	0	0	0	(285,988)	0	0	0	0	(285,988)
From dividend distribution	0	0	0	0	(10,368,153)	0	0	0	0	0	0	(10,368,153)
Loss/ Net profit for the year	0	0	0	0	0	0	0	(391,321)	0	4,115,367	738,302	4,462,348
Transfer to reserves	0	0	0	0	2,352,758	0	0	0	0	(5,200,742)	(336,962)	(3,184,946)
<b>Balance at 31 December 2020</b>	<b>57,894,994</b>	<b>85,945,333</b>	<b>1,895,855</b>	<b>102,114,290</b>	<b>24,914,052</b>	<b>16,745,901</b>	<b>(299,963)</b>	<b>60,866,477</b>	<b>(102,691,275)</b>	<b>4,115,367</b>	<b>(12,735,714)</b>	<b>238,765,317</b>

The consolidated financial statements were approved by the Board of Directors on March 17, 2021 and were signed by the:

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MADALINA COMSA



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

**STATEMENT OF CONSOLIDATED CASH FLOWS  
FOR THE FINANCIAL YEAR ENDED AT 31 DECEMBER 2020  
(All amounts are presented in RON)**

Explanation	Row	2020	2019
+/- Profit or Loss	1	4,115,366	5,200,742
+ Depreciation included in cost	2	6,280,684	8,459,717
- Changes in inventories (+/-)	3	(4,481,787)	(6,935,207)
- Changes in receivables (+/-)	4	836,124	292,800
+ Variation of creditors and customers (+/-)	5	(4,944,928)	3,947,889
- Variation other asset items (+/-)	6	541,177	12,817,810
+ Variation in other liabilities (+/-)	7	(958,014)	2,703,603
<b>= Cash flow from operating activities (A)</b>	<b>8</b>	<b>7,597,594</b>	<b>14,136,548</b>
+ Reductions in fixed assets	9	3,298,909	8,942,631
- Increases in fixed assets	10	6,445,838	14,409,816
<b>= Cash flow from investing activities (B)</b>	<b>11</b>	<b>(3,146,929)</b>	<b>(5,467,185)</b>
+ Loans variation (+/-), as:			
+ short-term loans receivable	12	1,273,484	7,500,000
- refunds of short-term loans	13	0	7,500,000
+ medium and long term loans receivable	14	259,470	0
- refunds of medium and long term loans	15	29,443	0
- Dividends paid	16	12,959,390	4,909,495
<b>= Cash flow from financial activities (C)</b>	<b>17</b>	<b>(11,455,879)</b>	<b>(4,909,495)</b>
<b>+ Cash at beginning of the period</b>	<b>18</b>	<b>31,718,771</b>	<b>27,958,903</b>
<b>+ Net Cash Flow(A+B+C)</b>	<b>19</b>	<b>(11,008,725)</b>	<b>3,759,868</b>
<b>= Cash at the end of the period</b>	<b>20</b>	<b>20,710,046</b>	<b>31,718,771</b>

The consolidated financial statements were approved by the Board of Directors on March 17, 2021 and were signed by the:

CHIEF EXECUTIVE OFFICER  
MIHAI ZAMFIR

CHIEF FINANCIAL OFFICER  
MADALINA COMSA

**NOTE 1 – REPORTING ENTITY**

These financial statements are consolidated financial statements, in accordance with IAS 27.4.

The group for which the present financial statements have been prepared consists of Tourism, Hotels, Restaurants Marea Neagră S.A. and its subsidiary Balneoterapia SRL ("the Group").

Tourism, Hotels, Restaurants Black Sea S.A. ("The Company") is a company established in 1991 that operates in Romania in accordance with the provisions of Law 31/1990 on companies and Law 24/2017 on the capital market.

The name of the Company is Tourism, Hotels, Restaurants Black Sea S.A. (abbreviated THR Black Sea S.A.). The company has the legal form of "joint stock company (SA)" and is an entity with unlimited life.

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

Contact details of the Group are:

Telephone: 0241752452

Fax: 0241755559

Website: [www.thrmareaneagra.ro](http://www.thrmareaneagra.ro)

e-mail: [thrmareaneagra@yahoo.com](mailto:thrmareaneagra@yahoo.com)

Unique registration code in the Trade Register: 2980547

Fiscal registration code: RO 2980547

Number of Registered business: J 13/696/1991

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

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

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

**Subscribed and paid up share capital:** 57,894,993.9 RON divided in 578,949,939 shares. In reporting the years there have been no changes in the number of shares. Of the total shares issued and outstanding at 31.12.2020:

- THR holds a number of **2,941,452** redeemed shares;

The main characteristics of the securities issued by T.H.R. Marea Neagra S.A.: common, dematerialized, ordinary, indivisible and of equal value, issued at a nominal value of 0,10 RON / share.

**NOTE 1 – REPORTING ENTITY (CONTINUED)**

The subsidiary is Balneoterapia SRL (“The Subsidiary”), headquartered in Mangalia, Lavrion Street, no. 29, Constanta County

The contact details of the Group are:

Telephone: 0241.752.452

Unique registration code in the Trade Register: 14271182

Number of Registered business: J 13/1910/2001

The Group’s shares are not traded on a regulated market. The shareholders evidence is held by the administrators using the register of shareholders

**NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES**

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

**2.1 Basis of preparation**

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

These financial statements are consolidated financial statements of THR Marea Neagră SA and Balneoterapia Saturn SRL („Group”).

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

The Group has prepared the annual financial statements for the year ended 31 December 2020 in accordance with International Financial Reporting Standards as adopted by European Union, applicable to companies whose securities are admitted to trading on a regulated market, according to the Order of the Minister of Finance no. 881/2012 regarding the application of International Financial Reporting Standards by companies whose securities are admitted to trading on a regulated market and the Order of the Minister of Finance no. 2844/2016 approving the Accounting Regulations in accordance with International Financial Reporting Standards applicable to companies whose securities are admitted to trading on a regulated market, including subsequent amendments and additions.

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

The financial statements have been authorized for issue by the Board of Directors on March 17, 2021.

**NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

In accordance with IAS 29 and IAS 21, the consolidated financial statements of an entity whose functional currency is the currency of a hyperinflationary economy should be presented in the current unit to the date of the financial statements, therefore non-monetary items should be restated using a general price index which was given at the date of acquisition or contribution. IAS 29 stipulates that an economy is considered hyperinflationary if, among other factors, the cumulative inflation exceeds 100% over a period of 3 years.

At 31.12.2015, the Parent Group proceeded to share capital restatement according to IAS 29, by reconstituting the evolution of capital and reserves of the foundation until 2003 (specifying the exact date and source) applying inflation indices.

**Presentation of Financial Statements**

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

**Basis of valuation**

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

Valuation of assets and liabilities was made as:

- **Inventories** are valued at the lower value between cost and net realizable value.
- **Tangible assets** are measured initially at:
  - i) The acquisition cost, for those acquired for consideration;
  - ii) The input value, for those received as a contribution in kind to the establishment of share capital or increase of share capital;
  - iii) at fair value at the acquisition date, for those received as free of charge.

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

- **Intangible assets** are initially measured at cost. After recognition intangible assets are accounted based on the cost model, at cost less any accumulated depreciation and any accumulated impairment losses.
- **Investment properties (buildings and land)** are determined at the fair value by an independent evaluator by :
  - i) determining replacement value;
  - ii) estimating accrued depreciation;
  - iii) determination of the remaining value of construction ;
  - iv) direct comparison method by reference to market prices in a similar and comparable in area.

**NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

- **Financial investments** are recognized at cost.
- **Non-current assets held for sale** are measured at the lower value of carrying amount and fair value less cost to sell.
- **Cash and cash equivalents** are presented in the balance sheet at cost.

**Use of estimates and judgments**

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

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

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

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

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

**NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**2.2 General aspects of applied accounting policies**

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

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

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

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

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

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

**2.3 Accounting policies specific to IFRS standards and interpretations**

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

The Company applies, starting with the financial year 2012, including in 2020, the following International Financial Reporting Standards with the implicit changes on the Company's accounting policies.

IAS 1	Presentation of financial statements	Fundamental Accounting Principles, structure and content of financial statements, mandatory posts and the concept of true and fair view, completed with amendments applicable from 1 January 2013.
IAS 2	Inventories	Defining of the accounting process applicable to inventories in the historical cost system: evaluation (first in - first out, weighted average cost and net realizable value) and the perimeter of allowed costs.
IAS 7	Statement of Cash Flows	Analysis of cash variations, classified into three categories: cash-flows from operating activities, cash-flows from investing activities, cash-flows from financing activities.

**NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

IAS 8	Accounting policies, Changes in Accounting Estimates and Errors	Defining the classification, the information that need to be disclosed and accounting treatment of certain items in the income statement.
IAS 10	Events after the reporting period	Requirements for when events after the end of the reporting period should generate an adjustment to the financial statements: definitions, terms and conditions, particular cases (dividends).
IAS 12	Income Taxes	Definition of tax accounting processing on the period result and detailed stipulations on deferred taxes, supplemented by amendments applicable from 1 January 2013
IAS 16	Property, plant and equipment	Accounting treatments, net book value calculation and relevant principles regarding depreciation for most types of property, plant and equipment.
IAS 19	Employee benefits	Accounting principles regarding employee benefits: short and long term benefits, post-employment benefits, advantages on equity and allowances on termination of employment.
IAS 20	Accounting for Government Grants and Disclosure of Government Assistance	Accounting principles for direct or indirect public aid (clear identification, concept of fair value, restraining subsidized connection etc.).
IAS 21	The Effects of changes in Foreign Exchange Rates	Accounting treatments of abroad activities, foreign currency transactions and restarting financial statements of a foreign entity.
IAS 23	Borrowing Costs	The definition of borrowing costs and accounting treatments: the notion of qualifying asset, how to incorporate borrowing costs in the amount of qualified assets.
IAS 24	Related Party Disclosures	Details of related party relationships and transactions (legal and natural persons) who exercises control or significant influence over one of the group's companies or the management.

**NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

IAS 26	Accounting and Reporting by Retirement Benefit Plans	Principles and information on the retirement schemes (funds), distinguishing defined contribution schemes and defined-benefit.
IAS 27	Consolidate and Separate Financial Statements	Principles concerning the presentation of separate financial statements, defining the obligation of consolidation and control, the convergence of accounting rules within the group, other principles.
IAS 29	Financial Reporting in Hyperinflationary Economies	Reconstitution of capital and reserves evolution.
IAS 31	Interests in Joint Ventures	Accounting principles and policies to joint venture operations performed, assets or holdings in a joint venture.
IAS 32	Financial Instruments: Presentation	Rules of presentation (classification of debt equity, expenses or income/equity).
IAS 33	Earnings per Share	Principles of determination and representation of earnings per share.
IAS 36	Impairment of Assets	Key definitions (recoverable amount, fair value less costs of disposal, value in use, cash-generating units), the frequency of impairment tests, accounting for the impairments, and for goodwill impairment
IAS 37	Provisions, Contingent Liabilities and Contingent Assets	Defining provisions and approach of estimating provisions, individual cases examined (including the problem of restructuring).
IAS 38	Intangible Assets	Definition and accounting treatments for intangible assets, recognition and measurement policies on the processing costs for research and development etc.



**NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

IAS 40	Investment Property	Establishing the evaluation method: fair value model or cost model, transfers between different categories of assets etc.
IFRS 1	First-time Adoption of International Financial Reporting Standards	The procedures for financial statements according to IAS / IFRS optional exemptions and mandatory exceptions to retrospective application of IAS / IFRS, supplemented by amendments applicable from 1 January 2013.
IFRS 5	Non-current Assets Held for Sale and Discontinued Operation	Defining an asset held for sale and discontinued operations, and the evaluation of these elements.
IFRS 7	Financial Information: Disclosures	Financial information related to financial instruments are referring primarily to: (i) information about the significance of financial instruments; and (ii) information about the nature and extent of risks arising from financial instruments, supplemented by amendments applicable from 1 January 2013.
IFRS 9	Financial Instruments	The Standard includes requirements for recognition and measurement, impairment, derecognition and general hedge accounting. The IASB completed its project to replace IAS 39 in phases, adding to the standard as it completed each phase. The version of IFRS 9 issued in 2014 supersedes all previous versions and is mandatorily effective for periods beginning on or after 1 January 2018 with early adoption permitted
IFRS 10	Consolidated Financial Statements	Establishing principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities.
IFRS 11	Joint Arrangements	Establishing principles for financial reporting for entities that hold interests in jointly controlled commitments.
IFRS 12	Disclosure of Interests in Other Entities	Requires an entity to disclose information that will enable users of its financial statements to evaluate: the nature and risks associated with interests held in other entities; and the effects of those interests on the financial position, financial performance and its cash flows.
IFRS 13	Fair value measurement	The definition of fair value, establishing, in a single IFRS, a framework for measuring fair value, requiring the presentation of information on fair value.

**NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

IFRS 15	Revenue from Contracts with Customers	IFRS 15 specifies how and when an IFRS reporter will recognise revenue as well as requiring such entities to provide users of financial statements with more informative, relevant disclosures. The standard provides a single, principles based five-step model to be applied to all contracts with customers. IFRS 15 was issued in May 2014 and applies to an annual reporting period beginning on or after 1 January 2018.
IFRS 16	Leasing contracts	Its objective is to standardize the way in which financial and operational leasing contracts are recognized in order to improve comparability in the financial statements of entities using different types of contracts.

**2.3.1 Foreign currency translation**

**Presentation currency and functional currency**

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

**Transactions and balances**

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

The exchange rates of major foreign currencies were:

	<b>31 decembrie 2020</b>	<b>31 decembrie 2019</b>
EUR	4.8694	4.7793
USD	3.9660	4.2608

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

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

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

**NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

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

**2.3.2 Property, plant and equipment**

**Measurement at recognition**

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

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

**Evaluation after recognition**

For subsequent recognition, the revaluation model was adopted at the company level, the value of the revalued asset being its fair value at the date of revaluation minus any subsequent accumulated depreciation and any accumulated impairment losses.

Revaluations must be carried out with sufficient regularity to ensure that the carrying amount does not differ materially from what would have been determined using fair value at the balance sheet date. Reassessments are performed by independent evaluators certified by ANEVAR.

The revalued amount (in addition) replaces the acquisition cost.

Additional revaluation differences are reflected in accounting for other comprehensive income and accumulated in equity as a revaluation surplus (unless the increase offsets a decrease in the previous revaluation of the same asset previously recognized in profit or loss, in which the increase is recognized directly in profit or loss).

Impairment differences from revaluation are recognized in profit or loss (unless the decrease offsets a previous revaluation increase, accumulated in equity as a revaluation surplus, in which case the reduction is recognized in other comprehensive income, less the revaluation surplus. revaluation).

The revaluation surplus included in equity related to an item of property, plant and equipment is transferred directly to retained earnings when the asset is derecognised. This involves the transfer of the entire surplus when the asset is withdrawn or disposed of. Transfers from revaluation surplus to retained earnings are not made through profit or loss.

The amounts paid or payable, generated by the daily repairs and maintenance of the tangible assets held, are recorded in the company's expenses, according to the accrual accounting, appropriately influencing the profit and loss account for the period.

The amounts paid or payable, generated by the operations that lead to the increase of the value and / or the life, by the modernization of the tangible fixed assets held, respectively those operations that lead to a significant improvement of the technical parameters, to an increase of the potential to generate some benefits. economic by them, are capitalized (increase accordingly the book value of the respective asset).

**NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Depreciation**

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

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

When registering revaluations, accumulated depreciation is eliminated.

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

Land is not depreciated.

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

	<b>Years</b>	
	<u><b>2020</b></u>	<u><b>2019</b></u>
Buildings	50	50
Other equipment, furniture and other changes	as far as 12	as far as 12
Vehicles	as far as 14	as far as 14

**Impairment of tangible assets**

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

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

**NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

**Derecognition**

The carrying amount of a fixed asset shall be derecognized:

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

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

Gains shall not be classified as revenue.

**2.3.3 Intangible assets**

**Recognition and measurement**

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

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

Recognition criteria:

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

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

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

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

**NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

**Recognition of expenses**

Expenditure on an intangible item shall be recognized as an expense when it is incurred unless they are part of the cost of an intangible asset that meets the recognition criteria. Expenditure on an intangible item that was initially recognized as an expense shall not be recognized as part of the cost of an intangible asset at a later date.

**Evaluation after recognition**

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

**Amortization**

Computer software is amortized over a period between 1 year and 5 years, and licenses for the period of validity, using the straight-line depreciation method.

**2.3.4 Cash and cash equivalents**

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

**2.3.5 Trade receivables**

Trade receivables are categorized as financial assets.

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

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

**NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**2.3.6 Financial assets and liabilities**

**Classification**

The Group classifies financial instruments held in the following categories:

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

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

*Investments held-to-maturity*

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

*Loans and receivables*

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

*Financial assets held for sale*

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

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

**NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Recognition**

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

**Amortized cost measurement**

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

**Fair value measurement**

Fair value is the amount at which an asset can be traded or a debt settled, between interested and informed parties, in a transaction carried out under objective conditions at the date of valuation. According to IFRS 13, the fair value measurement of assets of the nature of fixed assets meant taking into account the characteristics of the assets that the market participants would take into account when determining the price of the asset at the valuation date. The establishment of the fair value was carried out by an independent external evaluator and is assimilated to the level 2 provided by IFRS 13 for the data taken into account when establishing the fair values on December 31, 2018, the financial reporting date. At the Company level it was not the case to change the level provided by IFRS 13 for the data taken into account when establishing the fair values. Also, the maximum use value for assets valued at fair value does not differ from the current value of use.

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

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



**NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Identification and measurement of impairment**

*Financial assets measured at amortized cost*

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

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

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

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

*Available-for-sale financial assets*

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

If such indicators of impairment exist for the available-for-sale financial assets, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in profit or loss - is removed from other comprehensive income and is recognized in profit or loss. Impairment losses recognized in the income statement and within equity instruments are not reversed through profit or loss. If, in a subsequent period, the amount fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the loss was recognized in profit or loss, the impairment loss is reversed through profit or loss.

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

**NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Derecognition**

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

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

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

**2.3.7 Employee Benefits**

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

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

**2.3.8 Income tax**

**Recognition of current tax assets and liabilities**

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

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

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

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

**NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Recognition of deferred tax assets and liabilities**

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

The main temporary differences arise from the following operations:

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

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

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

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

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

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

**2.3.9 Specific activity tax**

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

**NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**2.3.10 Provisions**

Provisions are liabilities of uncertain timing or amount.

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

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

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

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

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

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

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

**2.3.11 Recognition of income**

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

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

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

**NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

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

Income from financial assets, respectively dividends receivable from entities in which the Group holds equity, are recognized in the financial statements of the Group in the financial year when they are approved by the General Meeting of each entity.

The nominal value of shares that are received free of charge is also recorded as income from financial assets, as a result of direct incorporation of the profit for the last period in the equity of an entity in which shares are held.

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

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

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

**2.3.12 Dividend Payment**

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

**2.3.13 Activity segments**

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

**NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**2.3.14 New international standards not applied by the Group**

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

These are:

- IFRS 17 “Insurance contracts”, issued on May 18, 2017, with effect from January 1, 2023.
- Amendments to IFRS 4 "Insurance contracts" published on June 25, 2020 with effect from January 1, 2021.
- Amendments to IFRS 9, IAS 39, IFRS 4 and IFRS 16 " Reform of the interest rate benchmark", published on August 27, 2020, with effect from January 1, 2021. "

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED AT 31 DECEMBER 2020**  
(All amounts are presented in RON)

**NOTE 3 – REVENUE FROM OPERATING ACTIVITY**

The main object of activity of the Company is the provision of tourist accommodation, public catering and leisure service.

In 2020, the Company recorded the following operating income:

RON			
Indicator	Financial year ended at 31 December 2020	Financial year ended at 31 December 2019	Index 2020/2019 (%)
<b>Turnover, including</b>	<b>23,101,045</b>	<b>49,027,474</b>	<b>47,12%</b>
<i>Income from accommodation</i>	<i>11,861,320</i>	<i>30,471,444</i>	<i>38,93%</i>
<i>Income from catering</i>	<i>5,973,277</i>	<i>14,399,840</i>	<i>41,48%</i>
<i>Rental income</i>	<i>3,485,443</i>	<i>1,305,195</i>	<i>267,04%</i>
<i>Other income included in turnover</i>	<i>1,781,005</i>	<i>2,850,995</i>	<i>62,47%</i>
<b>Income from fixed assets sold and assets held for sale</b>	<b>18,327,776</b>	<b>7,514,816</b>	<b>243,89%</b>
<b>Income from operating subsidies</b>	<b>90,603</b>	<b>0</b>	<b>-</b>
<b>Other income</b>	<b>727,517</b>	<b>2,836,809</b>	<b>25,65%</b>
<b>Total operational income</b>	<b>42,246,940</b>	<b>59,379,099</b>	<b>71,15%</b>

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

RON		
Explanation	Financial year ended at 31 December 2020	Financial year ended at 31 December 2019
Income from disposed fixed assets	275,954	168,090
Income from non-current assets held for sale	18,051,822	7,346,726
<b>Income from disposal of fixed assets and assets held for sale</b>	<b>18,327,776</b>	<b>7,514,816</b>

**NOTE 4 - INCOME FROM DISPOSAL OF FIXED ASSETS AND NON-CURRENT ASSETS HELD FOR SALE (CONTINUED)**

Income from disposed assets and assets held for sale in 2020 is due to the sale of the following assets:

a) Income from assets held for sale:

- Complex Atena (building and related land)
- Restaurant Dunarea (building and related land)
- Gloria Hotel (building)

b) Income from disposed assets:

- Honda car, Fiat Ducato 3 pieces, Tractor + trailer
- Bufet Luna Park Saturn - land

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

Expenditures on employee benefits broken down by gross salaries and social contributions were:

RON

Explanation	Financial year ended at 31 December 2020	Financial year ended at 31 December 2019
<b>Total salary expenses, of which:</b>	<b>10,970,765</b>	<b>16,063,441</b>
<i>Expenditures on the salaries of the members of the Board of Directors / Supervisory Board and the Directors</i>	<i>1,410,664</i>	<i>1,273,630</i>
<i>Expenses with the salaries of employees with individual employment contract (CIM)</i>	<i>9,560,101</i>	<i>14,789,811</i>
<b>Expenses with social contributions</b>	<b>464,968</b>	<b>620,507</b>
<b>Expenses with insurance contribution for work</b>	<b>245,225</b>	<b>361,673</b>
<b>Expenses with meal vouchers</b>	<b>298,862</b>	<b>457,041</b>
<b>Total</b>	<b>11,979,821</b>	<b>17,502,661</b>

The company has no contractual obligations regarding the payment of pensions to former members of the Board of Directors / Supervisory Board and therefore has no accrued commitments of this nature.

The company has not granted and does not grant credits or advances (except for advances of a salary nature and / or to cover delegation expenses) to members.



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**NOTE 5 - EMPLOYEE BENEFITS EXPENSES. INFORMATION REGARDING EMPLOYEES AND MEMBERS OF THE ADMINISTRATION BOARD AND MANAGEMENT (CONTINUED)**

Board of Directors / Supervisory Board and executive directors. The accounting has no accrued liabilities of this nature at the end of 2020. During the financial year 2021, the Parent Company switched from the dual management system to the unitary one.

Compared to 2019, in 2020 there is a reduction in the average number of staff on the whole and in the structure on the seasonal segment, due to the restriction of activity due to the Pandemic with COVID-19.

<b>No.</b>	<b>Indicator</b>	<b>No. at 31.12.2020</b>	<b>Average number 2020</b>	<b>Average number 2019</b>
<b>A</b>	<b>Permanent staff, showing separately:</b>	<b>93</b>	<b>94</b>	<b>101</b>
	a) TESA staff	36	33	35
	b) Operative staff	57	61	66
<b>B</b>	<b>Seasonal staff</b>	<b>37</b>	<b>153</b>	<b>259</b>
	<b>Total staff</b>	<b>130</b>	<b>247</b>	<b>360</b>

The Group has not undertaken obligations for pension plans other than the one stated by Law no, 263/2010 on the unitary system of public pensions, with the subsequent updates.

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NOTE 6 - OPERATIONAL EXPENSES (EXCEPT EMPLOYEE BENEFITS)

		RON	
No.	Operational Expenses	Financial year ended as at 31 December 2020	Financial year ended as at 31 December 2019
<b>1</b>	<b>Expenses related to inventories, of which:</b>	<b>4,945,167</b>	<b>8,945,900</b>
1.1.	<i>expenditure on raw materials and consumables</i>	2,057,729	2,735,871
1.2.	<i>expenses regarding the wear of inventory objects, packaging</i>	892,307	1,673,382
1.3.	<i>merchandise expenses</i>	1,995,131	4,536,647
<b>2</b>	<b>Utility expenses</b>	<b>1,837,344</b>	<b>3,098,955</b>
<b>3</b>	<b>Depreciation and amortization expenses</b>	<b>5,904,307</b>	<b>9,609,824</b>
<b>4</b>	<b>Expenses with assigned assets and assets held for sale</b>	<b>4,728,556</b>	<b>2,265,609</b>
<b>5</b>	<b>Expenses with other taxes, fees and assimilated payments</b>	<b>3,400,844</b>	<b>4,225,644</b>
<b>6</b>	<b>Expenses with external benefits</b>	<b>3,702,694</b>	<b>6,751,655</b>
<b>7</b>	<b>Other total expenditure, of which:</b>	<b>(39,595)</b>	<b>311,728</b>
7.1.	<i>Expenses with compensations, fines and penalties</i>	37,954	43,805
7.2.	<i>Sponsorship expenses</i>	2,500	0
7.3.	<i>Other expenses</i>	7,333	48,436
7.4.	<i>Provision expenses and adjustments for impairment of assets</i>	355,996	331,416
7.5.	<i>Revenue from cancellation of provisions</i>	(279,236)	(102,387)
7.6.	<i>Income from adjustments for impairment of current assets</i>	(164,141)	(9,542)
	<b>Total operating expenses (less employee benefits)</b>	<b>24,864,943</b>	<b>35,209,316</b>

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

Starting with January 1, 2017, including in 2020, the Parent Company applies the provisions of L170 / 2016 regarding the specific tax to some activities with the CANE codomain 5510, "Hotels and other similar accommodation facilities".

The Parent Company carries out its activities subject to the specific tax (CAEN code 5510, 5610 and 5630) through a number of 4,860 accommodation places.

According to the provisions of art. 5 paragraph 2 of the Methodological Norms for the application of Law no. 170/2016, the Company calculated the specific tax related to the period of the calendar year for which it carries out activity, the period being the one from the opening of the unit until the last day of validity. of the operating permit for the units in the district of Mangalia town hall, and for those within the Eforie town hall, as no operating permits are issued for the hotel units, the entire period of the year was taken into account. Considering the Pandemic with COVID-19, the company benefited in 2020 from fiscal facilities (GEO 48, GEO 99 and GEO 181/2020), in the sense of non-taxation during the emergency / alert periods: March 16 - May 14, 2020 (60 days), June 26 - September 23, 2020 (90 days) and October 26 - December 31, 2020 (67 days).

According to the provisions of art.10 of Law 170/2016 on the specific tax of certain activities, considering that the Company generates revenues from other activities besides those corresponding to the CANE codes subject to specific tax, applies for these activities, the system of declaration and payment of tax on profit provided by Law no. 227/2015 with subsequent amendments and completions.

In the current context generated by the COVID-19 crisis, in order to help the business environment and to stimulate revenues to the state budget, the tax authorities have also adopted

fiscal measure granting a bonus of 10% for the payment of income tax until the due date for the 1st quarter according to GEO 33/2020 and for the 2nd and 3rd quarters according to GEO 99/2020, for small and medium taxpayers, category in which it falls THR Black Sea SA .

**We present below, the gross accounting profit / loss broken down by the two activities and by the two affiliated parties:**

<b>Indicators</b>	<b>THR (activities subject to profit tax) (RON)</b>	<b>THR (activities subject to specific tax) (RON)</b>	<b>Balneoterapia (RON)</b>	<b>TOTAL GRUP (RON)</b>
Total income	25,103,087	18,463,063	(740)	43,565,410
Total expenses	13,909,775	22,917,126	463,415	37,290,316
<b>GROSS PROFIT</b>	<b>11,193,312</b>	<b>(4,454,063)</b>	<b>(464,155)</b>	<b>6,275,094</b>

In order to establish the common expenses that were taken into account in determining the tax result, the company used the method of apportionment proportional to the share of revenues obtained from the activities concerned in total revenues.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
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**NOTE 7 - CURRENT TAX AND DEFERRED TAX. EARNINGS PER SHARE (CONTINUED)****Earnings per share**

Earnings per share is calculated by dividing the net profit attributable to shareholders of the Group for the financial year 2020 amounted to **4,115,366 RON** on weighted average number of ordinary shares in circulation to **578,949,939** adjusted with self-owned shares value. Diluted earnings per share is determined by adjusting net profit attributable to ordinary shareholders and the weighted average number of shares outstanding, adjusted with self-owned shares value, dilution effects of all potential ordinary shares.

**Profit attributable to ordinary shareholders**

	<b>RON</b>	
	<b>2020</b>	<b>2019</b>
Profit (loss) for the period	4,115,366	5,200,742
Profit (loss) for the period attributable to ordinary shareholders	4,115,366	5,200,742
<b>Weighted average number of ordinary shares</b>	<b>578,949,939</b>	<b>578,949,939</b>
Ordinary shares issued at 1 January	0	0
Effect of self -owned shares held	0	0
Weighted average number of ordinary shares at 31 December	578,949,939	578,949,939
<b>Earnings per share (basic)</b>	<b>0,0071</b>	<b>0.0090</b>
Profit attributable to ordinary shareholders (basic)	4,115,366	5,200,742
Convertible bonds interest expenses after tax	0	0
Profit attributable to ordinary shareholders (diluted)	4,115,366	5,200,742
<b>Weighted average number of ordinary shares (diluted)</b>	<b>578,949,939</b>	<b>578,949,939</b>
Weighted average number of ordinary shares (basic)	578,949,939	578,949,939
Effect of conversion of convertible bonds	0	0
Effect of share options issued	0	0
Weighted average number of ordinary shares (diluted) at 31 December	578,949,939	578,949,939
<b>Earnings per share (diluted)</b>	<b>0,0071</b>	<b>0.0090</b>

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**NOTE 8 - TANGIBLE FIXED ASSETS**

	RON					
Description	Lands	Buildings	Cars and equipment	Furniture and Fixtures	Advance payments for assets and work in progress	Total
0	1	2	3	4	5	6
<b>Cost or assumed cost</b>						
<b>Balance at January 1, 2019</b>	<b>58,595,548</b>	<b>112,527,453</b>	<b>21,029,549</b>	<b>17,311,715</b>	<b>1,458,470</b>	<b>210,922,735</b>
Acquisitions (works + independent fixed assets + advances)	0	3,485,983	889,901	31,919	12,105,769	16,513,572
Derecognition for assets held for sale and real estate investments	3,278,376	2,869,227	6,180	48,051	0	6,201,834
Exits (sales, homes)	(109,060)	(27,601)	(106,604)	(76,458)	(4,268,622)	(4,588,344)
Exits from the classification of tangible real estate in assets held for sale	(4,099,996)	(9,215,660)	0	0	0	(13,315,656)
Revaluation differences	1,277,443	(9,630,827)	0	0	0	(8,353,384)
<b>Balance at December 31, 2019</b>	<b>58,942,311</b>	<b>100,008,575</b>	<b>21,819,026</b>	<b>17,315,227</b>	<b>9,295,617</b>	<b>207,380,757</b>
<b>Balance at January 1, 2020</b>	<b>58,942,311</b>	<b>100,008,575</b>	<b>21,819,026</b>	<b>17,315,227</b>	<b>9,295,617</b>	<b>202,380,757</b>
Acquisitions (works + independent fixed assets + advances)	0	8,276,603	598,142	49,917	7,284,969	16,209,632
Derecognition for assets held for sale and real estate investments	2,117,783	0	0	0	0	2,117,783
Exits (sales, homes)	(216,325)	(156,107)	(1,828,242)	(3,155,882)	(6,625,393)	(11,981,950)
<b>Balance at December 31, 2020</b>	<b>60,843,769</b>	<b>108,129,071</b>	<b>20,588,925</b>	<b>14,209,262</b>	<b>9,955,193</b>	<b>213,726,222</b>
<b>Depreciation and impairment losses</b>						
<b>Balance at January 1, 2019</b>	<b>4,118</b>	<b>9,301,436</b>	<b>13,574,277</b>	<b>8,457,001</b>	<b>0</b>	<b>31,336,832</b>
31,336,832 Depreciation during the year	0	3,783,763	2,134,340	2,431,813	0	8,349,916
Impairment losses	0	0	0	0	1,150,106	1,150,106
Depreciation of fixed assets outflows (decrease)	0	(13,083,898)	(103,514)	(61,700)	0	(13,249,112)
<b>Balance at December 31, 2019</b>	<b>4,118</b>	<b>1,302</b>	<b>15,605,103</b>	<b>10,827,114</b>	<b>1,150,106</b>	<b>27,587,742</b>
<b>Balance at January 1, 2020</b>	<b>4,118</b>	<b>1,302</b>	<b>15,605,103</b>	<b>10,827,114</b>	<b>1,150,106</b>	<b>27,587,742</b>
Depreciation during the year	0	3,482,649	1,534,414	1,119,726	0	6,136,789
Depreciation of fixed assets outflows (decrease)	0	(3,061)	(1,609,596)	(3,145,117)	0	(4,757,773)
<b>Balance at December 31, 2020</b>	<b>4,118</b>	<b>3,480,890</b>	<b>15,529,921</b>	<b>8,801,723</b>	<b>1,150,106</b>	<b>28,966,758</b>
<b>Balance at January 1, 2019</b>	<b>58,591,430</b>	<b>103,226,017</b>	<b>7,455,272</b>	<b>8,854,714</b>	<b>1,458,471</b>	<b>179,585,903</b>
<b>Balance at December 31, 2019</b>	<b>58,938,193</b>	<b>100,007,274</b>	<b>6,213,923</b>	<b>6,488,113</b>	<b>8,145,512</b>	<b>179,793,015</b>
<b>Balance at January 1, 2020</b>	<b>58,938,193</b>	<b>100,007,274</b>	<b>6,213,923</b>	<b>6,488,113</b>	<b>8,145,512</b>	<b>179,793,015</b>
<b>Balance at December 31, 2020</b>	<b>60,839,651</b>	<b>104,648,181</b>	<b>5,059,003</b>	<b>5,407,539</b>	<b>8,805,087</b>	<b>184,759,463</b>

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**NOTE 8 - TANGIBLE FIXED ASSETS (CONTINUED)**

On 31.12.2019 the group made the last revaluation of tangible non-current assets.

The Group revalued tangible non-current assets in the following years: 1999. 2002. 2003. 2005. 2007. 2009. 2011. 2012. 2015. 2019.

If the carrying amount of an asset is increased as a result of a revaluation, the increase shall be recognized in other comprehensive income and accumulated in equity under the heading of revaluation surplus. However, the increase shall be recognized in profit or loss to the extent that it reverses a revaluation decrease of the same asset previously recognized in profit or loss. If the carrying amount of an asset is impaired as a result of a revaluation, the decrease shall be recognized in profit or loss. However, the decrease shall be recognized in other comprehensive income to the extent that the revaluation surplus shows a credit balance for the asset. Reduction recognized in other comprehensive income reduces the amount accumulated in equity under the heading of revaluation surplus.

Revaluation differences recorded by the group on 31.12.2020 related assets located in its patrimony are **102,065,652.71 RON** and cannot be distributed to shareholders.

The revaluation differences according to the nature of the fixed assets have the following composition:

Description	2020	2019
Land revaluation reserves	86,538,117	89,147,031
Construction revaluation reserves	13,629,767	14,020,379
Reserves from revaluation of other tangible assets	1,946,405	2,552,725
<b>Total revaluation reserves</b>	<b>102,114,289</b>	<b>105,720,135</b>

For tangible assets recorded in the company's assets, there were no changes in the method of determining the depreciation of tangible assets and no assets or parts of the depreciation expense were reclassified at the expense of other expenses.

In the case of tangible assets, the Parent Company has no restrictions on the title deed.

The company owns as of 31.12.2020:

- all assets in the patrimony;
- land with a total area of **436,608.55 sqm** (499,332.72 sqm existing at the beginning of the year, of which 6,019.35 sqm were sold for the Atena complex in Saturn, 1,016.41 sqm for Bufet Luna Park in Saturn and 5,688.41 sqm for the Restaurant Dunarea in Saturn) obtained as follows:

- 395,163.01 square meters on the basis of certificates of ownership issued by the Ministry of Tourism for: Saturn SA, Venus SA, Eforie Nord SA, Eforie Sud SA and the surrender protocol between Neptun-Olimp S.A. and Miorița Estival 2002 SA;
- 17,278.70 sqm purchased from the Eforie Nord City Hall in accordance with the sale and purchase contracts;
- 24,166.84 sqm following the exchange with Mangalia City Hall and Eforie Nord City Hall.

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**NOTE 8 - TANGIBLE FIXED ASSETS (CONTINUED)****Assets pledged, mortgaged, restricted**

On 31.12.2020, the Company has set up mortgages on the assets of Hotel Complex - Restaurant Sirena from Saturn and the related land, in favor of BCR, the value of the guaranteed loan being 5,000,000 RON, on 31.12.2020 the amount of 1,273,484 was used RON.

This category of assets did not record compensation from third parties for impaired fixed assets.

**Investments**

In 2020, the Company made investments (account 231) in the amount of **6,992,950** RON plus VAT in the amount of **1,328,660** RON that we present in the table below:

RON

No.	The investment objective	Value from which:
1	Salon and food block construction works + endowments - Restaurant Narcis	1,419,703
2	Continuation of works for raising the comfort level from 2 to 3 stars and endowments - Hotel+Restaurant+ CT Diana	1,778,691
3	Construction works + installations and equipment, works staircase access adjustment Hotel Raluca	773,881
4	Rehabilitation works for balconies and facades, electrical installations for AC, telephone exchange, plasterboard walls - Hotel Aida	560,860
5	Carpet room and hallways, central installation of fire detectives - Hotel Sirena	514,366
6	Construction works for halls, room doors and bathrooms - Hotel Venus	505,414
7	Carpeted room and hallways - Hotel Hora	495,536
8	Gas burners and gas connection - Laundry and central heating	253,479
9	Hotel door access card 153 rooms - Hotel Siret	36,682
10	Rehabilitation works for balconies and facades - Hotel Balada	159,261
11	Various (cars, laptops, resorts) - Administrative	262,329
12	Replacement of interior staircase access joinery, completion of interior hydrant installation (ISU requirements) - Hotel Cleopatra	63,437
13	Design for rehabilitation of hotel complex 150 rooms and restaurant - Hotel Vraja Marii	50,161
14	Kitchen equipment, vacuum cleaners, Control panels - Restaurant Brad, Balada, Prahova, Hotel Bega, Base of treatment	49,458
15	Rehabilitation and modernization of public utility infrastructure consisting of rainwater parking parking - Hotel Bega and Hotel Brad	44,172
16	Access ladder construction works - Restaurant Venus	25,517
	<b>TOTAL INVESTMENTS without VAT</b>	<b>6,992,950</b>
	VAT	1,328,660
	<b>TOTAL INVESTMENTS including VAT</b>	<b>8,321,610</b>

Of these, investments were received in the total amount of **5,922,638** RON (including VAT), of which **5,147,678** RON including VAT) representing construction works and **774,959** RON (including VAT) endowments.

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**NOTE 9 - INTANGIBLE ASSETS**

	RON			
EXPLANATION	31 December 2020	ACQUISITIONS	OUTPUTS	31 December 2019
<b>I) Book value of intangible assets:</b>	<b>2,180,842</b>	<b>281,403</b>	<b>936,194</b>	<b>2,835,633</b>
Licenses + projects	1,500,506	8,647	516,460	2,008,319
Other intangible assets	407,579	0	419,734	827,314
Assets related to the rights to use leased assets (IFRS16)	259,470	259,470	0	0
Intangible fixed assets advances	13,286	13,286	0	0
<b>II) Decreases (amortization and depreciation):</b>	<b>1,549,880</b>	<b>143,895</b>	<b>936,194</b>	<b>2,342,180</b>
Licenses + projects	1,272,859	92,509	516,460	1,696,810
Other intangible assets	277,021	51,385	419,734	645,370
Assets related to the rights to use leased assets (IFRS16)	0	0	0	0
Intangible fixed assets advances	0	0	0	0
<b>III) Net book value</b>	<b>630,962</b>	<b>0</b>	<b>0</b>	<b>493,453</b>
Licenses + projects	227,647	0	0	311,509
Other intangible assets	130,559	0	0	181,944
Assets related to the rights to use leased assets (IFRS16)	259,470	0	0	0
Intangible fixed assets advances	13,286	0	0	0

The increase is mainly due to the Assets related to the rights to use the leased assets (IFRS 16) represented by means of transport leased financially from Transilvania Leasing and Credit IFN SA for a period of 5 years.

All intangible assets have determined useful lives, the depreciation method being in all cases the linear one over the useful life. According to the accounting policy adopted at the company level, the useful lives are up to 20 years for concessions, patents, licenses and up to 5 years for other fixed assets.

Intangible assets are shown at cost.



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**NOTE 10 – INVESTMENT PROPERTY**

Assets classified as investment property are measured at fair value as at 31.12.2020, and are presented in the statement of financial position as follows:

RON

Nr. crt.	Explanation	31 December 2020	Outputs	Revaluation gains at fair value as at 31.12.2020 according to IAS40	Adjustment VAT entries with capitalization (January 2020)	Entries from reclassification	31 December 2019
1	Minerva Hotel (building)	560,650	0	18,550	0	0	542,100
2	Miorita complex (building)	3,518,129	0	147,139	0	0	3,370,990
3	Semiramis complex (building)	2,884,526	0	49,041	0	0	2,835,485
4	Siret complex (building)	0	2,321,017	38,246	(5,039)	0	2,287,810
5	Restaurant + Tosca Buffet (building)	165,520	0	12,474	0	153,046	0
6	Prahova Hotel (building)	4,363,610	0	24,615	(4,719)	0	4,343,714
7	Mures Hotel (building)	1,447,717	0	44,972	(6,140)	0	1,408,885
8	Capitol complex (building)	772,217	0	31,655	0	0	740,562
	<b>TOTAL BUILDINGS</b>	<b>13,712,369</b>	<b>2,321,017</b>	<b>366,692</b>	<b>(15,898)</b>	<b>153,046</b>	<b>15,529,546</b>
1	Minerva Hotel (land)	301,572	0	5,201	0	0	296,371
2	Miorita complex (land)	5,156,695	0	95,416	0	0	5,061,279
3	Semiramis complex (land)	3,699,887	0	23,067	0	0	3,676,820
4	Siret complex (land)	0	2,117,783	34,168	0	0	2,083,615
5	Prahova Hotel (land)	834,732	0	5,204	0	0	829,528
6	Mures Hotel (land)	1,356,440	0	8,457	0	0	1,347,983
7	Beach Buffet Semiramis (land)	451,978	0	2,818	0	0	449,160
	<b>TOTAL LAND</b>	<b>11,801,304</b>	<b>2,117,783</b>	<b>174,331</b>	<b>0</b>	<b>0</b>	<b>13,744,756</b>
	<b>TOTAL</b>	<b>25,513,673</b>	<b>4,438,800</b>	<b>541,023</b>	<b>(15,898)</b>	<b>153,046</b>	<b>29,274,302</b>

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**NOTE 10 – INVESTMENT PROPERTY (CONTINUED)**

The assets classified as real estate investments were valued by the valuation company IPIEV Consulting SRL based in Bucharest, Bdul Nicolae Grigorescu nr.29A, bl.N22, sc.B, et.4, ap 53, sector 3, registered at the trade register with no.J40 / 10356/2001 and is a Corporate member of ANEVAR having the certificate no. 0250 / 01.01.2016.

The approaches used in the valuation were: the cost approach - the replacement cost method and the revenue approach - the discounted cash flow method.

Analyzing in all aspects the estimated values according to the valuation approaches, it results that, in the present situation, the value of the selected property is the one obtained with the cost approach, given the purpose of the valuation performed.

Leases are entered into for assets recognized as investment property. Rental income is recognized in the income statement and is shown in Note 4 - Revenue from operating activities.

The input data used in fair value measurement techniques are classified at level 2, comprising input data other than the quoted prices included in level 1 that are observable for the asset or liability in question, either directly or indirectly.

Level 2 input data include quoted prices in active markets for similar assets or liabilities, quoted prices in non-active markets for similar or identical assets or liabilities, observable input data other than quoted prices for assets or liabilities but also data input results mainly from or corroborated with observable market data, by correlation or other means.

Fair value adjustments to assets classified as investment property in profit and loss at the end of 31.12.2020, and after evaluation:

RON

Explanation	31 December 2020			31 December 2019		
	Gains from fair value measurement of investment properties	Losses from fair value measurement of investment properties	Gains/Losses	Gains from fair value measurement of investment properties	Gains/losses from fair value measurement of investment properties	Gains/Losses
Minerva complex (building + land)	23,751	0	23,751	9,773	0	9,773
Miorita complex (building + land)	242,555	0	242,555	548,898	0	548,898
Semiramis complex (building + land)	72,108	0	72,108	264,746	0	264,746
Siret complex (building + land)	72,414	0	72,414	163,862	0	163,862
Restaurant + Tosca Bufet (building)	12,474	0	12,474	0	0	0
Hotel Prahova (building + land)	29,819	0	29,819	50,313	0	50,313
Hotel Mures (building + land)	53,429	0	53,429	111,071	0	111,071
Capitol complex (building)	31,655	0	31,655	11,352	0	11,352
Land Buffet beach Semiramis	2,818	0	2,818	12,650	0	12,650
<b>Total</b>	<b>541,023</b>	<b>0</b>	<b>541,023</b>	<b>1,172,665</b>	<b>0</b>	<b>1,172,665</b>

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**NOTE 11 – FINANCIAL ASSETS**

Securities are recognized in the financial statements in accordance with IAS 27 (reviewed in 2010). IAS 36 (reviewed in 2009). IAS 39 (reviewed in 2009) and IFRS 7 (issued in 2008). According to these 4 standards, the company adopted the following policy for the recognition and valuation of shares and securities:

- investments in subsidiaries, jointly controlled entities and associates are recognized at cost,
- short-term investments held for sale unlisted on the stock exchange market are recorded at cost. For value depreciation, the company makes adjustments (the depreciation treatment for these securities is determined by IAS 39, paragraph 63) ,
- short-term investments held for sale listed on the stock exchange are recorded at fair value (the value on the last trading day of the year), any gains or losses being recognized in the statement of capital. If there is objective evidence of impairment (as set out in paragraph 59 of IAS 39), as well as in the case of exchange losses and gains, the impairment loss will be recognized in the income statement, as in the case of shares held in Transilvania Hotels & Travel SA, which on 31.12.2018 were adjusted in the sense of their full depreciation, given that this company went into insolvency.

Other investment	31 December 2020			31 December 2019		
	Book value	Impairment	Net book value	Book value	Impairment	Net book value
<b>Long-term investments</b>						
Shares at Transilvania Hotels&Travel S.A.	0	2,432,010	2,432,010	0	2,432,010	2,432,010
<b>Long-term investments</b>	<b>0</b>	<b>2,432,010</b>	<b>2,432,010</b>	<b>0</b>	<b>2,432,010</b>	<b>2,432,010</b>

Long term securities are recognized in the financial statements in accordance with IAS 27 Consolidated and Separate Financial Statements, at cost.

The securities that fall into this category consist of equity securities in Balneoterapia Saturn SRL and Transilvania Hotels & Travel S.A., being recognized in financial assets:

RON			
Company	Share capital %	31 December 2020	31 December 2019
Transilvania Hotels&Travel SA	32.059%	2,432,010	2,432,010

Transilvania Hotels & Travel S.A. has a share capital of 7,586,120 RON composed of 3,034,448 shares with a nominal value of 2.5 RON / share and has its registered office in Bucharest, 35 Maria Rosetti Street, sector 2. The company went into insolvency starting with the year 2017.

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**NOTE 12 – INVENTORIES**

RON

<b>Inventories</b>	<b>Book value (RON) at 31.12.2020</b>	<b>Adjustments for depreciation 31.12.2020</b>	<b>Balance at 31.12.2020</b>	<b>Book value (RON) at 31.12.2019</b>	<b>Stock variation 31.12.2020/ 31.12.2019</b>
Materials (excluding price differences on goods and VAT)	240,774	366,620	607,394	355,687	67,69%
Material advances	81		81		
Materials of the nature of inventory objects	47,799	14,890	62,689	108,743	43,96%
Materials from third parties	548,006	0	548,006	1,193,827	45,90%
Merchandise	4,820	0	4,820	2,792	172,66%
Packaging materials	4,382	0	4,382	4,421	99,12%
<b>Total</b>	<b>845,862</b>	<b>381,510</b>	<b>1,227,372</b>	<b>1,665,470</b>	<b>50,79%</b>

Stocks of materials are of the nature of materials purchased for investment and repair works. Considering that some materials are very old and their use is not expected in the near future, they were adjusted in 2018 and 2020 in the sense of depreciation by the amount of 381,510 RON.

The Stock Indicator registered on 31.12.2020 a reduction of 49.21 compared to 31.12.2019, a reduction due to the download of materials made available to third parties for investments underway at Hotel Diana ,, CT BBB and CT Venus.

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**NOTE 13 – RECEIVABLES**

Receivables are presented in the financial statements according to their nature, at the amount likely to be collected:

No	Name	Receivables at 31.12.2020	Allowances at 31.12.2020	Net book value of receivables 31.12.2020	Net book value of receivables 31.12.2019	Variation of receivables 2020/2019 (%)
<b>1</b>	<b>Total trade receivables, of which:</b>	<b>501,177</b>	<b>1,756,560</b>	<b>2,257,738</b>	<b>567,318</b>	<b>88,34%</b>
1.1.	<i>Transilvania Hotels &amp; Travel SA</i>	0	443,593	443,593	0	0,00%
<b>2</b>	<b>Other receivables total, of which:</b>	<b>3,698,969</b>	<b>27,472</b>	<b>3,726,441</b>	<b>2,932,574</b>	<b>126,13%</b>
2.1.	<i>Receivables from the state budget</i>	3,412,752	27,472	3,440,224	2,669,062	127,86%
2.2.	<i>Debtors active sales</i>	0	0	0	0	0,00%
2.3.	<i>Different debtors</i>	61,738	0	61,738	114,975	53,70%
2.4.	<i>Other receivables</i>	224,480	0	224,480	148,537	151,13%
	<b>Total</b>	<b>4,200,146</b>	<b>1,784,032</b>	<b>5,984,179</b>	<b>3,449,892</b>	<b>120,01%</b>

*The receivables of the Group*, on 31.12.2020 or the creation an increase of 20.01% compared to receivables recorded on 31.12.2019, while trade receivables decreased by 11.66% compared to trade receivables registered on 31.12.2019, which highlights the efforts of the economic department in debt recovery.

**The Group's receivables consist of:**

- trade receivables represented by tourist services and other services provided by THR Marea Neagră to third parties, in the amount of 2,257,830 RON which were adjusted by the amount of 1,756,560 RON representing debts older than one year related to the services provided to Rugby Club Constanța, Mareea Comtur, Transilvania Hotels & Travel SA, Sind Tour Operator, ACS Cuza Sport, Ager Construct, Remat Sud Mangalia, Cuemjiev Ioan, Dumitras Florenta, Gorj Turism, Inter Tour Bacau, Christian76 Tour, Sind Gaz.

- receivables from the state budget represented mainly by VAT to be recovered in the amount of 2,917,486 RON, of which for the amount of 2,761,032 RON ANAF was requested to reimburse it, current profit tax in the amount of 147,278 RON, non-chargeable VAT related to suppliers' invoices in the amount of 346,357 RON;

-various debtors in the amount of 61,738 RON represented mainly by advances paid to suppliers for services to be provided in 2021;

-other receivables are mainly represented by the interest receivable at the deposits established at BCR in the amount of 96,320 RON and which will be collected in January 2021, social receivables in the amount of 69,665 RON representing Medical leave incurred by the Health Insurance House.

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**NOTE 13 – RECEIVABLES (CONTINUED)**

Depending on their age, the book value of receivables is:

No.	Receivables	Total at 31.12.2020	Under 30 days	30-90 days	90-180 days	180-365 days	>1 year
<b>1</b>	<b>Total trade receivables, of which:</b>	<b>2,257,738</b>	<b>51,495</b>	<b>18,072</b>	<b>398,754</b>	<b>57,571</b>	<b>1,731,845</b>
1.1.	<i>Transilvania Hotels &amp; Travel SA</i>	443,593	0	0	0	0	443,593
<b>2</b>	<b>Other receivables total, of which:</b>	<b>3,726,442</b>	<b>364,003</b>	<b>136,905</b>	<b>187,008</b>	<b>944,948</b>	<b>2,093,577</b>
2.1.	<i>Receivables from the state budget</i>	3,440,224	196,912	116,176	169,585	924,012	2,033,540
2.2.	<i>Debtors active sales</i>	0	0	0	0	0	0
2.3.	<i>Different debtors</i>	61,738	48,414	80	7,641	299	5,303
2.4.	<i>Other receivables</i>	224,480	118,677	20,649	9,782	20,637	54,734
	<b>Total</b>	<b>5,984,179</b>	<b>415,499</b>	<b>154,977</b>	<b>583,762</b>	<b>1,002,519</b>	<b>3,827,422</b>

**NOTE 14 - ACCRUED EXPENSES**

RON

Accrued expenses	31.dec.2020	31.dec.2019
Other expenses registered in advance (OPTBR fee year 2021)	11,000	0
Other expenses recorded in advance (personal housing rent January 2021)	6,331	0
Annual activity fee for the exploitation of mineral resources	180	144
Vignette taxes	619	244
Insurance policies (CASCO, RCA, events, civil liability administrator, manager)	59,295	46,392
<b>Total accrued expenses</b>	<b>77,425</b>	<b>46,780</b>

NOTE 15 - CASH AND CASH EQUIVALENTS

RON

Explanation	31.12.2020	31.12.2019	Variation 31.12.2020/31.12.2019
Bank accounts in RON	20,699,749	31,669,615	65,36%
Bank account in foreign currencies	9,303	1,479	629,05%
Petty cash in RON	735	4,584	16,03%
Other values	260	43,094	0,60%
<b>Total</b>	<b>20,710,046</b>	<b>31,718,771</b>	<b>65,29%</b>

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**NOTE 16 – ASSETS CLASSIFIED AS HELD FOR SALE**

							RON
NO	Category	Book value of non-current assets held for sale in 2020	Book value of assets disposed or disposed through reclassification in 2020	Book value of non-current assets held for sale at 31.12.2020	Book value of non-current assets held for sale in 2019	Book value of non-current assets sold in 2019	Book value of non-current assets held for sale at 31.12.2019
1	Restaurant Minerva	0	0	149,672	0	0	149,672
2	Restaurant  Sulina	0	0	89,705	0	0	89,705
3	Restaurant Dunarea	0	176,298	0	0	0	176,298
4	Complex Atena (hotel + restaurant)	0	1,322,520	0	0	0	1,322,520
5	Complex Tosca (Hotel + restaurant + bufet)	0	0	0	0	2,920,388	0
6	Popas turistic Saturn	0	0	32,452	0	0	32,452
7	CP 3 Saturn	0	0	182,082	0	0	182,082
8	Restaurant Pelican	0	0	145,092	0	0	145,092
9	GG Jupiter	0	0	451,633	0	0	451,633
10	Gradina/restaurant Rapsodia	0	0	237,148	0	78,283	237,148
11	Hotel Ancora	0	0	0	0	258,532	0
12	Complex Capitol (Hotel + restaurant)	0	0	0	0	729,210	0
13	Hotel Gloria	0	567,435	0	0	0	567,435
14	Complex Magura (Hotel + restaurant)	0	0	1,526,033	0	0	1,526,033
15	Hotel Meteor	0	0	246,812	0	0	246,812
16	Complex Claudia (Hotel + restaurant)	0	0	0	0	438,652	0
	<b>TOTAL BUILDINGS</b>	<b>0</b>	<b>2,066,253</b>	<b>3,060,628</b>	<b>0</b>	<b>4,425,066</b>	<b>5,126,881</b>
1	Land Restaurant Minerva	0	0	1,813,760	0	0	1,813,760
2	Land Restaurant  Sulina	0	0	1,458,496	0	0	1,458,496
3	Land Restaurant Dunarea	0	1,183,104	0	0	0	1,183,104
4	Land Complex Atena (hotel + restaurant)	0	1,251,952	0	0	0	1,251,952
5	Land Complex Tosca (Hotel + restaurant + buffet)	0	0	0	0	2,602,496	0
6	Land – stop on the tour Saturn	0	0	15,890,160	0	0	15,890,160
7	Land CP 3 Saturn	0	0	791,024	0	0	791,024
8	Land Restaurant Pelican	0	0	668,304	0	0	668,304



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NO	Category	Book value of non-current assets held for sale in 2020	Book value of assets disposed or disposed through reclassification in 2020	Book value of non-current assets held for sale at 31.12.2020	Book value of non-current assets held for sale in 2019	Book value of non-current assets sold in 2019	Book value of non-current assets held for sale at 31.12.2019
9	Land GG Jupiter	0	0	1,080,560	0	0	1,080,560
10	Land - Garden Rapsodia	0	0	0	0	233,022	0
11	Land- Cocor Complex	0	0	95,483	0	0	95,483
12	Land complex Claudia	0	0	0	0	1,045,877	0
	<b>TOTAL LANDS</b>	<b>0</b>	<b>2,435,056</b>	<b>21,797,787</b>	<b>0</b>	<b>3,881,395</b>	<b>24,232,843</b>
	<b>TOTAL ASSETS HELD FOR SALE</b>	<b>0</b>	<b>4,501,309</b>	<b>24,858,415</b>	<b>0</b>	<b>8,306,461</b>	<b>29,359,724</b>

Assets held for sale are shown at the lower of carrying amounts and at costs less costs to sell. Any subsequent increase or decrease in the value of these assets has been recognized in the income statement, based on a specialized valuation.

Gains from the sale of assets held for sale were recognized in the income statement as follows:

RON

2020			2019		
Income from disposal of non-current assets held for sale	Expenses from disposal of non-current assets held for sale	Profit/Loss	Income from disposal of non-current assets held for sale	Expenses from disposal of non-current assets held for sale	Profit/Loss
18,051,822	4,501,309	13,550,513	7,346,726	(2,054,366)	5,292,360

Income from disposal of non-current assets held for sale were included on line 5 of the statement of profit or loss and other comprehensive income and disposal expenses of assets held for sale were presented in row 13 from the statement of comprehensive income.

Assets classified as held for sale were valued according to IFRS at 31.12.2020, the resulting amounts being greater than the amount recorded in the accounting. The bookkeeping of the assets held for sale was made at the carrying amount, ie at the lower value.

**NOTE 17 - THE SHARE CAPITAL. OWNERSHIP STRUCTURE AND CHANGES IN CAPITAL**

The subscribed and paid up share capital is amounted to **57,894,993.90 RON** divided into a number of **578,949,939** shares. During the reporting periods subscribed and paid up share capital did not change.

Of the total number of shares issued and outstanding at December 31, 2020:

- THR Marea Neagră SA holds **2,941,452 shares** repurchased;

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

During 2020, in the EGMS of October 5, 2020, it is decided to reduce the share capital by canceling its own shares, registering the mentions at ONRC at the beginning of 2021, as on 31.12.2020. the capital and shareholder structure, taken from the BVB website, were the following:

Shareholders name	Percent(%)	Shares	Capital value(RON)
SIF Transilvania S,A,	77.7131%	449,920,140	44,992,014,00
Other shareholders	22.2869%	129,029,799	12,902,979,90
<b>TOTAL</b>	<b>100.0000%</b>	<b>578,949,939</b>	<b>57,894,993,90</b>

The Group has no employee stock grant schemes and there are no restrictions on voting rights. It also has no knowledge of agreements between shareholders which may result in restrictions on the transfer of securities and / or voting rights.

THR Marea Neagră S.A. shares, are listed on the second category of Bucharest Stock Exchange started from 15 august 2002, with symbol “EFO”.

In the last trading day of 2020, 31.12.2020, the closing price was 0.1285 RON/share, compared to 0.1160 RON /share at 30.12.2019.

## NOTE 18 - CAPITAL RESERVES. REVALUATION DIFFERENCES

RON

Explanation	31.12.2020	31.12.2019
<b>Differences from revaluation</b>	<b>102,114,289</b>	<b>105,720,135</b>
<b>Total reserves, of which:</b>	<b>24,914,052</b>	<b>32,929,447</b>
<i>Legal reserves of 5% of GDP</i>	<i>6,205,236</i>	<i>5,868,274</i>
<i>Other reserves</i>	<i>18,708,816</i>	<i>27,061,173</i>
<b>Inflated reserves following the application of IAS 29</b>	<b>16,745,901</b>	<b>16,745,901</b>
<b>Total reserve</b>	<b>143,774,242</b>	<b>155,395,482</b>

The revaluation surplus refers to property and plant of the company and it was generated by the revaluations of tangible non-current assets in the years of 1999, 2002, 2003, 2005, 2007, 2009, 201, 2012, 2015 and 2019.

The differences from the revaluation of the company's assets in the amount of 102,114,289 RON, compared to the balance registered on 31.12.2019, are reduced by the amount of 3,605,845 RON due to the revaluation reserves related to the assets sold and disposed of.

The reserves composed of legal reserves and other reserves, in the total amount of 24,914,052 RON, decreased compared to 2019 (32,929,447 RON) by 24.34%, decrease due to the decrease of other reserves with the amount of 10,368,153 RON was distributed on dividends, decrease compensated to a small extent with the amount of 2,015,796 RON distributed on other reserves and with the amount of 336,962 RON distributed on legal reserves from the net profit of 2019.

## NOTE 19 - RETAINED EARNINGS

RON

Element name	31.12.2020	Decrease	Increase	31.12.2019
<b>Retained earnings except retained earnings from the adoption of IAS 29 for the first time</b>	<b>60,866,478</b>	<b>391,321</b>	<b>3,605,845</b>	<b>57,651,954</b>
<i>Retained earnings representing retained earnings</i>	<i>(553,623)</i>	<i>391,321</i>	<i>0</i>	<i>(162,302)</i>
<i>Surplus realized from revaluation reserves</i>	<i>61,420,101</i>	<i>0</i>	<i>3,605,845</i>	<i>57,814,256</i>
<b>Retained earnings came following the application of IAS 29 for the first time</b>	<b>(102,691,275)</b>	<b>0</b>	<b>0</b>	<b>(102,691,275)</b>

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**NOTE 20 - OTHER ELEMENTS OF EQUITY**

RON

Other elements of equity	31.12.2020	31.12.2019
Deferred tax recognized in equity	(12,398,752)	(12,745,012)
Profit distribution to legal reserve	(336,962)	(392,042)
<b>Total Other elements of equity</b>	<b>(12,735,714)</b>	<b>(13,137,054)</b>

**NOTE 21 - LIABILITIES, LESS DEFERRED INCOME AND PROVISIONS**

The short-term debts in balance on 31.12.2020, less the provisions, are in the amount of **10,390,839 RON**, the structure depending on the moment of exigibility, presenting itself as follows:

RON

Short-term liabilities	Liabilities at 31.12.2019	Liabilities at 31.12.2020	under 30 days	30-90 days	91-180 days	181-270 days	between 270-365 days	Variation of liabilities 31.12.2020 / 31.12.2019
Amounts owed to credit institutions	0	1,273,484	0	0	0	0	1,273,484	0,00%
Trade payables and other liabilities, including derivatives	13.586.647	7,638,015	6,205,687	491,368	94,643	203,980	642,337	56,22%
Advances collected for orders:	5.793.406	1,218,188	0	466,680	0	177,729	573,779	21,03%
<i>Advances received from assets sales and rental assets</i>	5,724,599	1,040,459	0	466,680	0	0	573,779	18,18%
<i>Advances collected from tourist services</i>	68.807	177,729	0	0	0	177,729	0	258,30%
Trade payables	1.098.453	649,574	649,574	0	0	0	0	59,14%
Debts to the state budget	638.083	432,646	432,646	0	0	0	0	67,80%
Debt with the staff	541.676	519,463	519,463	0	0	0	0	95,90%
Other liabilities	5.515.029	4,818,142	4,604,002	24,688	94,643	26,251	68,558	87,36%
<b>Total current debt</b>	<b>13.586.647</b>	<b>8,911,499</b>	<b>6,205,687</b>	<b>491,368</b>	<b>94,643</b>	<b>203,980</b>	<b>1,915,821</b>	<b>65,59%</b>

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**NOTE 21 - LIABILITIES, LESS DEFERRED INCOME AND PROVISIONS (CONTINUED)**

**Short-term debts at 31.12.2020, excluding provisions**, decreased compared to the same period last year, by 34.41%, decrease mainly due to:

- Closing the advances received in 2019, related to the sale-purchase contracts of the assets of Hotel Gloria and Restaurant Dunarea authenticated at the notary's office at the beginning of 2020;
- closing the advances received in 2019 for the 2020 rent of the assets: Capitol complex, Prahova Hotel, Mureș Hotel, Siret complex;
- reduction of staff debts, due to the reduction of the number of staff due to the Pandemic with COVID-19;
- reduction of debts to the state budget also on the background of the Pandemic.

The amounts due to credit institutions as of December 31, 2020 - 1,273,484 RON are represented by an overdraft loan obtained by the parent company based on the credit agreement with no. DCCM 660/177/11 May 2009 from Banca Comercială Română extended by Additional Act no. 11 from November 16, 2020 to November 29, 2021, whose ceiling is 5,000,000 RON.

Depending on their due date, the long-term debts at 31.12.2020, less provisions, are grouped as follows:

Long-term liabilities	RON		
	Liabilities at 31.12.2019	Liabilities at 31.12.2020	>1 year
Amounts owed to credit institutions	0	0	0
Other loans and similar debts - guarantees	161,559	112,352	112,352
Other loans and similar debts - financial leasing	0	188,301	188,301
Deferred tax liabilities	13,371,749	13,151,453	13,151,453
<b>Total long-term liabilities</b>	<b>13,533,308</b>	<b>13,452,106</b>	<b>13,452,106</b>

The long-term debts consist of the guarantees of good execution granted by the service and fixed assets providers in the amount of 112,352 RON, from the amounts representing capital rates related to the financial leasing contracts concluded with Transilvania Leasing and Credit IFN SA in the amount of 188,301 RON and from deferred income tax.

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**NOTE 22 – PROVISIONS**

The company has not assumed obligations for pension plans, other than the state ones provided by Law no. 263/2010 on the unitary public pension system, with subsequent amendments and completions. The collective labor contract concluded for 2020 provides for the granting of a retirement premium at the level of a gross salary.

As of December 31, 2020, the Company had provisions of **936,109 RON**:

RON						
No.	Explanation	Account	31.12.2020	Provision 31.12.2020	Cancelling provision in 2020	31.12.2019
<b>1</b>	<b>Provisions for litigation, of which:</b>	<b>1511</b>	<b>707,852</b>	<b>143,871</b>	<b>77,691</b>	<b>641,672</b>
1.1.	<i>Carja Vasile - File no. 3093/118/2016 - claims for improvements to the Flora villa before its return to THR</i>		554,512	0	0	554,512
1.2.	<i>Constanta District Court Costs representing the lawyer's fee of the City of Eforie for the file 8013/118/2017 in which THR tried to cancel a waste tax</i>		3,570	3,570	0	0
1.3.	<i>Monica Saturn - File no.3208 / 254/2019 - lack of use of space that houses the sea water pump (Aida Buffet)</i>		41,200	41,200	0	0
1.4.	<i>Alcon SRL - File no.8002 / 118/2020 - Invoice penalties</i>		99,101	99,101	0	0
1.5.	<i>Mateevici Alexandru, Zellinger, Stoicovic and others - File 15314/212/2018 - court costs, lawyer's fees from files 2639/118/2017 and 4847/212/2010</i>		0	0	20,900	20,900
1.6.	<i>Eforie City Hall - taxes and accessories calculated additionally as a result of fiscal control, contested by THR</i>		9,469	0	56,791	66,260
<b>2</b>	<b>Provisions for total employee benefits of which:</b>	<b>1517</b>	<b>228,257</b>	<b>20,072</b>	<b>201,545</b>	<b>409,730</b>
2.1.	<i>Provisions for retirement rights</i>		55,878	20,072	16,665	52,471
2.2.	<i>Provisions for rest leave not performed</i>		172,379	0	184,880	357,259
	<b>Total Provisions</b>		<b>936,109</b>	<b>163,943</b>	<b>279,236</b>	<b>1,051,402</b>

**NOTE 23 - RELATED PARTIES TRANSACTION**

Compared to 2019, in the year 2020 were carried out transactions with related parties, as set out in the tables below. Values presented include value added tax.

**RON**

<b>Receivables</b>		
<b>Related parties</b>	<b>Financial year ended at 31.dec.2020</b>	<b>Financial year ended at 31.dec .2019</b>
<i>Transilvania Hotels&amp;Travel SA</i>	440,676	443,593
<b>TOTAL</b>	<b>440,676</b>	<b>443,593</b>
<b>Liabilities</b>		
<b>Related parties</b>	<b>Financial year ended at 31.dec.2020</b>	<b>Financial year ended at 31.dec .2019</b>
<i>Transilvania Hotels&amp;Travel SA</i>	50,332	191,880
<i>Transilvania Leasing&amp;Credit IFN SA</i>	286	0
<b>TOTAL</b>	<b>50,618</b>	<b>191,880</b>

In 2020 THR Marea Neagra SA performed the following transactions with related parties:

<b>Sales</b>		
<b>Related parties</b>	<b>Financial year ended at 31.dec.2020</b>	<b>Financial year ended at 31.dec .2019</b>
<i>Transilvania Hotels&amp;Travel SA</i>	406,228	4,766,315
<b>TOTAL</b>	<b>406,228</b>	<b>4,766,315</b>
<b>Acquisitions</b>		
<b>Related parties</b>	<b>Financial year ended at 31.dec.2020</b>	<b>Financial year ended at 31.dec .2019</b>
<i>Transilvania Hotels&amp;Travel SA</i>	150,332	656,572
<i>Transilvania Leasing&amp;Credit IFN SA</i>	49,164	0
<b>TOTAL</b>	<b>199,496</b>	<b>656,572</b>

**NOTE 23 - RELATED PARTIES TRANSACTION (CONTINUED)**

According to IAS 24 "Related Party Disclosures" section, 17 specify that:

- outstanding balances of receivables and payables between related parties are related to trade transactions that are made on terms and conditions similar to terms and conditions that would have been accepted by third parties and are not warranted;
- we can not provide additional information on the given or received guarantees as it was not the case;
- we made adjustments for the depreciation of the amount of **443,592.84** RON representing the receivable related to the outstanding balance of Transylvania Hotels & Travel SA, a company in insolvency, with which THR Marea Neagra SA registered at the creditor table in 2017.

**NOTE 24 –CONTINGENT ASSETS AND CONTINGENT LIABILITIES**

In all THR disputes, it has undertaken the necessary diligence to protect the property right. In some situations, there are some litigations that claim THR assets.

The company is involved in a dispute with the Mangalia City Hall following the tax inspection carried out by it for the period 2008-2012, an inspection completed by the tax inspection report no.57355 / 10.11.2015, on the basis of which two tax decisions were issued, in a total amount of 7,604,311.45 RON.

The execution of the two decisions was suspended by the Constanța Court of Appeal - dossier no.776 / 118/2015, and the effects of the suspension subsisting until the date of the substantive settlement of the court action and which has as object the annulment of the tax decisions.

The Company has recognized and estimated that the amount of 1,577,262 RON representing:

- i) Tax of additional buildings in the amount of 482,520 RON representing the taxation of buildings without applying the 50% reduction granted by art.285 paragraph 2 of the Fiscal Code;
- ii) Additional land tax in the amount of 253.029 RON representing the tax without the 50% reduction provided by art.285 paragraph 2 of the Fiscal Code;
- iii) Accessories related to the tax on buildings and land set up by the control body in the amount of 841,713 RON.

For the difference between the value of the tax on buildings and land determined additionally by the control body and that recognized by the company, they were requested and received on the evaluation reports drawn up by PRECISS CONSULTING SRL on 31.12.2007, 31.12.2009, 31.12.2011 and 31.12 .2012 which states that the fair value of the buildings at the time of valuations included the value of the functional elements and facilities and the upgrades made to the buildings to which it relates until the time of the reassessment, which leads to the conclusion that there are no additional risks for the company.



## **NOTA 25 - SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS IN APPLYING ACCOUNTING POLICIES**

Preparation of financial statements in accordance with IFRS has involved the use of the Group's management to make judgments in applying accounting policies with implications carrying amount of assets and liabilities in the consolidated financial statements, such:

- tangible assets were revalued periodically, The evaluation was done by certified evaluators, members of ANEVAR.
- The fair values are based on market values respectively estimated value for which an asset could be exchanged on the valuation date in a transaction made in objective conditions, after proper marketing action, interested parties that are in full knowledge of the facts. In the absence of current prices in an active market, valuations are prepared by taking into account the aggregate amount of cash flows that could be estimated from the sale of the asset. To the annual net cash flows it is applied a rate of return that reflects the specific inherent risks in order to establish the fair value of the assets.
- assets carried at cost are evaluated for impairment in accordance with the accounting policies of the Group. The assessment for allowance of receivables is made individually and is based on management's best estimate of the present value of the cash flows expected to be received. To estimate these cash flows, the management makes certain estimates on the financial statements of the counterparty. Each impaired assets individually analyzed. Provisions accuracy depends on the estimation of future cash flows for specific counterparties. The amounts of provisions were estimated taking into account the chances of winning of the pending files to the competent courts. Because chances of winning results from the evaluation of the legal department grew, the Group would have to reduce its provisions made for these claims. However, the Group management considered it is not prudent to reverse provisions, and decided to keep them at the level of previous year.
- For the differences in fair value we have performed the calculation of the related deferred tax.

## **NOTE 26 - SIGNIFICANT RISK MANAGEMENT POLICY**

Specific activity, determine the Group's exposure to a variety of general risk, but also specific risks and financial market on that operates. Risk is defined as the possibility of unfavorable deviations to arise, against expected levels due to random fluctuations. Significant risks have a high impact on the Group.

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

In their activity, the Group may face uncontrollable risks, which are generally associated with external factors such as macroeconomic conditions, legislative changes, changes in the competitive environment etc.

Usually, however, the Group faced controllable risks, for which adopted active management policies and procedures (analysis, monitoring and control).

These risks are associated with internal invoices and nature of activity, the complexity of the organizational structure, quality of staff etc.

The main significant risks that the Group has to face, are:

### **Liquidity risk**

Liquidity is the company's ability to secure the funds necessary to meet all its direct and indirect payment obligations at a reasonable price at all times. Liquidity risk is the actual or potential risk to which the company's profits and capital may be subject due to its inability to meet its payment obligations at maturity.

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**NOTE 26 - SIGNIFICANT RISK MANAGEMENT POLICY (CONTINUED)**

The company has always sought to ensure a balance between its sources of financing 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 a year, so it can detect in time a possible lack of liquidity and can take action accordingly.

**Operational risk**

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

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

An analysis of assets and liabilities has been made, based on the remaining period from the balance sheet date to the contractual maturity date for the financial year 2020, as:

<i>Explanation</i>	<b>Note</b>	<b>Book value</b>	<b>Under 6 months</b>	<b>Between 6 and 12 months</b>	<b>Over 1 year</b>	<b>Indefinite maturity</b>
<b>Assets</b>						
Cash and cash equivalents	15	20,710,046	20,710,046	0	0	0
Trade receivables and other receivables	13	4,200,146	4,071,167	156,451	0	(27,472)
Inventories	12	845,862	549,634	0	0	296,228
Expenses in advance	14	77,425	63,234	14,191	0	0
Current assets		236,230,852	0	0	0	236,230,852
<b>Total assets</b>		<b>262,064,332</b>	<b>25,394,081</b>	<b>170,642</b>	<b>0</b>	<b>236,499,608</b>
<b>Liabilities</b>						
Provisions	22	936,109	0	0	0	936,109
Trade payables and other payables	21	22,363,605	6,791,698	2,119,901	300,653	13,151,453
Deferred income (Grants)	3	(699)	(699)	0	0	0
<b>Total liabilities</b>		<b>23,299,015</b>	<b>6,790,999</b>	<b>2,119,801</b>	<b>300,653</b>	<b>14,087,562</b>
						0
<b>Liquidity surplus in the period</b>		<b>238,765,317</b>	<b>18,603,082</b>	<b>(1,949,158)</b>	<b>(300,653)</b>	<b>222,412,046</b>
<b>Cumulative liquidity surplus</b>		<b>238,765,317</b>	<b>18,603,082</b>	<b>16,653,924</b>	<b>16,353,271</b>	<b>238,765,318</b>

**NOTE 26 - SIGNIFICANT RISK MANAGEMENT POLICY (CONTINUED)****Capital management**

Group's capital management objectives are to ensure the protection and the ability to reward shareholders, to maintain an optimal capital structure to reduce capital costs.

In order to maintain or change the capital structure, the Group may change the amount of dividends paid to shareholders, shareholders capital yield, issue new shares or sell assets to reduce debts.

The Group monitors the amount of capital raised based on gearing. This rate is the ratio of net debt and total equity. Net debts are calculated as total net cash debts. Total equity is calculated as equity plus net debt.

	RON	
<i>Explanation</i>	<b>31 December 2020</b>	<b>31 December 2019</b>
Total liabilities (long and short term)	22,363,605	28.171.356
Cash and cash equivalents	20,710,046	31.718.771
Total equity	238,765,317	248.142.057
<b>Net liabilities indicator</b>	<b>(237,111,758)</b>	<b>(251.689.472)</b>

**NOTE 27 –SUBSEQUENT EVENTS**

The current climate of public health crisis generated by the COVID-19 epidemic implicitly determines the existence of a risk regarding the possibility of diminishing the Group's activity compared to the level of previous financial years, considering that the field of activity in which the Group operates - tourism - is one of the first areas affected by this crisis. Due to the existing uncertainties, the Group's management cannot quantify / estimate the possible effect of future socio-economic events and conditions present in the difficult environment in which the Group operates.

At the beginning of 2020, until the date of this report, the registration with ONRC of the reduction of the share capital with the amount of 294,145.20 lei, from 57,894,993.90 lei to 57,600,848.70 lei, by canceling a number of shares, was completed of 2,941,452 shares with a nominal value of 0.10 lei, acquired by the company within the redemption program, reduction approved in the EGMS of 22.10.2020.

Regarding Balneotherapy, on February 15, 2021, the insolvency company Dascalescu & Co was appointed as liquidator, becoming from that moment the legal representative.

**NOTE 28 - BOARD OF DIRECTORS PROPOSAL FOR ALLOCATING NET PROFIT**

At the end of 2020 THR Marea Neagra SA Company has a net profit of 4,579,520 RON, which the Directorate proposes to be distributed as follows:

- |                                                                                          |                  |
|------------------------------------------------------------------------------------------|------------------|
| -The legal reserve in accordance with art. 183 of the Companies Law 31/1990. republished | 336,962.00 RON   |
| - Distribution of dividends to shareholders                                              | 210,498.60 RON   |
| - Distribution of dividends to shareholders (gross dividend / share = 0.0070 RON)        | 4,032,059.41 RON |

The separate financial statements were approved by the Board of Directors on March 17, 2021 and were signed by:

CHIEF EXECUTIVE OFFICER  
MIHAI ZAMFIR

CHIEF FINANCIAL OFFICER  
MADALINA COMSA