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CASA DE BUCOVINA – CLUB DE MUNTE S.A.

BOARD OF ADMINISTRATORS'

REPORT FOR THE FINANCIAL YEAR 2018

This document is a translation from its Romanian version. In case of any difference between the Romanian and the English versions, the Romanian version shall prevail

Yearly report in accordance with:	Law no. 24/2017 and FSA Regulation 5/2018
For the financial year:	2018
Date of the report:	13.03.2019
Name of the issuer:	CASA DE BUCOVINA – CLUB DE MUNTE S.A.
Headquarters:	Gura Humorului, 18, Republicii Square, Suceava County
Phone/fax no:	+40 230 207 000/ +40 230 207 001
Sole Registration Code:	10376500
Registration Number with the Trade Register:	J33/718/1998
Regulated market on which the securities are traded	Bucharest Stock Exchange
Subscribed and paid-up share capital:	16.733.960 lei
Key features of the issued securities:	167.339.600 shares, with a face value of 0,1 lei/share
LEI code	2549003JCE4UBBB88S53

Main results of issuer's activity assessment

Financial results	2018	2017
Revenue from touristic services, of which:	**9.130.787**	**8.260.566**
Revenue from hotel services	3.619.349	3.191.429
Revenue from catering (restaurant, bar)	5.189.564	4.881.353
Revenue from SPA, playgrounds, various	123.199	73.058
Revenue from rental of conference rooms	198.675	114.726
Other revenue	72.798	9.885
Operating revenue	**9.203.585**	**8.270.451**
Operating expenses	-8.428.804	-7.809.571
Operating profit	**774.781**	**460.880**
Financial revenue	208.631	285.046
Expense from the valuation of financial assets at fair value through profit or loss	-883.268	-
Profit before taxes	**100.144**	**745.926**
Profit for the financial year	**55.385**	**672.741**

Financial position	31.12.2018	31.12.2017
Cash and bank accounts	2.135.663	2.785.781
Deposits at banks	5.977.971	10.159.792
Financial assets at fair value through profit or loss	4.116.728	-
Financial assets at amortized cost/Loans and receivables	2.228.616	2.229.756
Inventories	186.415	193.393
Other assets	808.269	700.274
Tangible and intangible fixed assets	24.839.632	22.082.551
Total assets	**40.293.294**	**38.151.547**
Trade payables	417.161	434.171
Other liabilities	505.634	458.470
Total liabilities	**922.795**	**892.641**
Total shareholders' equity	**39.370.499**	**37.258.905**
Total shareholders' equity and liabilities	**40.293.294**	**38.151.547**

1. Issuer's activity analysis

1.1. a) Description of issuer's main activity

Casa de Bucovina- Club de Munte SA's core business is hotel services, catering and recreational/leisure services, the sale of travel packages, the organization of conferences or events for national and foreign companies, etc.

The company's core activity is stipulated under article 5 of the Constitutive Act, and according to NACE codification – 5510 it is defined as "Hotels and other similar accommodation facilities".

Best Western Bucovina, the company's main asset, is a hotel that offers the unique experience of Bucovina's hospitality.

The main asset of the company is a four-star hotel which has been operating since 2002, affiliated with the international Best Western chain. The hotel has the following facilities:

- 130 rooms/ 220 beds;
- 2 restaurants (180 and 60 seats);
- 7 different sizes conference rooms (25 to 280 seats);
- lobby bar (60 seats);
- terrace (40 seats);
- summer terrace;
- SPA area.

1.1. b) The issuer's incorporation date

Casa de Bucovina – Club de Munte SA was established in March 1998 as a stock company with private capital, having 6 founding shareholders, legal Romanian entities. After initiating and carrying out a public offer of shares, the company was listed on the Bucharest Stock Exchange, starting with 12 May 2008 and having the BCM ticker.

1.1. c) Description of any merger or significant reorganization of the issuer, of its subsidiaries or controlled companies during the financial year

In the financial year 2018 the company was not involved in any mergers or reorganization. Casa de Bucovina – Club de Munte SA does not have subsidiaries, nor controlled companies.

1.1. d) Description of asset acquisitions and/or asset disposals

During the financial year, the company has acquired unit funds issued by Fondul Inchis de Investitii Star Value, with a value of approx. 5 mil lei.

Between 16 and 26 June 2018 the company subscribed the amount of lei 2.225.000 and purchased 890.000 corporate bonds, guaranteed, issued by FIROS SA.

The company has made CAPEX investments, in accordance with the budget approved by the OGSM on 20 April 2018.

Thereby, for the year 2018 there were budgeted a series of repairs, replacements and facilities to ensure the reduction of the hotel's maintenance expenses or to increase the comfort level of certain areas. The largest part of the investments budget has been allocated to the renovation of 25 bathrooms for the single rooms – which had been the reason for most of the recorded complaints. Also, the company had in view changing the carpeting in all the single rooms. In 2018, there was also the renovation and complete equipping of the 8th floor apartments, the change of beds and mattresses in 24 matrimonial rooms.

In 2018 there were completed the works of repair, consolidation and isolation of the hotel's attic. Kitchen equipment has been purchased and the network of video cameras has been replaced. The budget allocated for these renovations/investments amounted to 560.000 lei and the realized value was of 539.892 lei. The investments were made entirely from the company's own sources.

There were no asset disposals during the reporting period.

1.1.1. General evaluation elements:

a) profit: In the year 2018 the company registered an operating profit amounting to 774.781 lei and a net profit of 55.385 lei.

b) turnover: In the year 2018 the turnover of Casa de Bucovina – Club de Munte SA grew by 10,5% yoy, reaching 9.130.787 lei.

c) export: Not applicable.

d) costs: In the year 2017 the company's operating expenses registered a 7,9% yoy advance (8.428.804 lei). More information on the structure of expenditures can be found in chapter 5 - Financial statement.

e) % of market share held: The rapid development of the accommodation capacities in Gura Humorului has led to a decrease of the market share held by the company in recent years, from 12,3% in 2016 and 11,7% in 2017, to 11,2% in 2018.

f) liquidity: At the end of 2018 the company's cash, current accounts and deposits with banks amounted to 8.113.634 lei.

1.1.2. Evaluation of the issuer's technical level

The company provides a full range of services: from basic hotel services (accommodation and food & beverage), all-inclusive packages for seminars, conferences and congresses, to tailored services for clients or groups.

The company has used all the distribution channels for tourism: both Romanian and foreign travel agencies, online booking reservation websites, direct distribution to corporate and individual clients.

The marketing strategies used were based on promoting the concept of an area still unspoiled by the side effects of mass tourism, positioning Bucovina as a destination where local customs and traditions are at home.

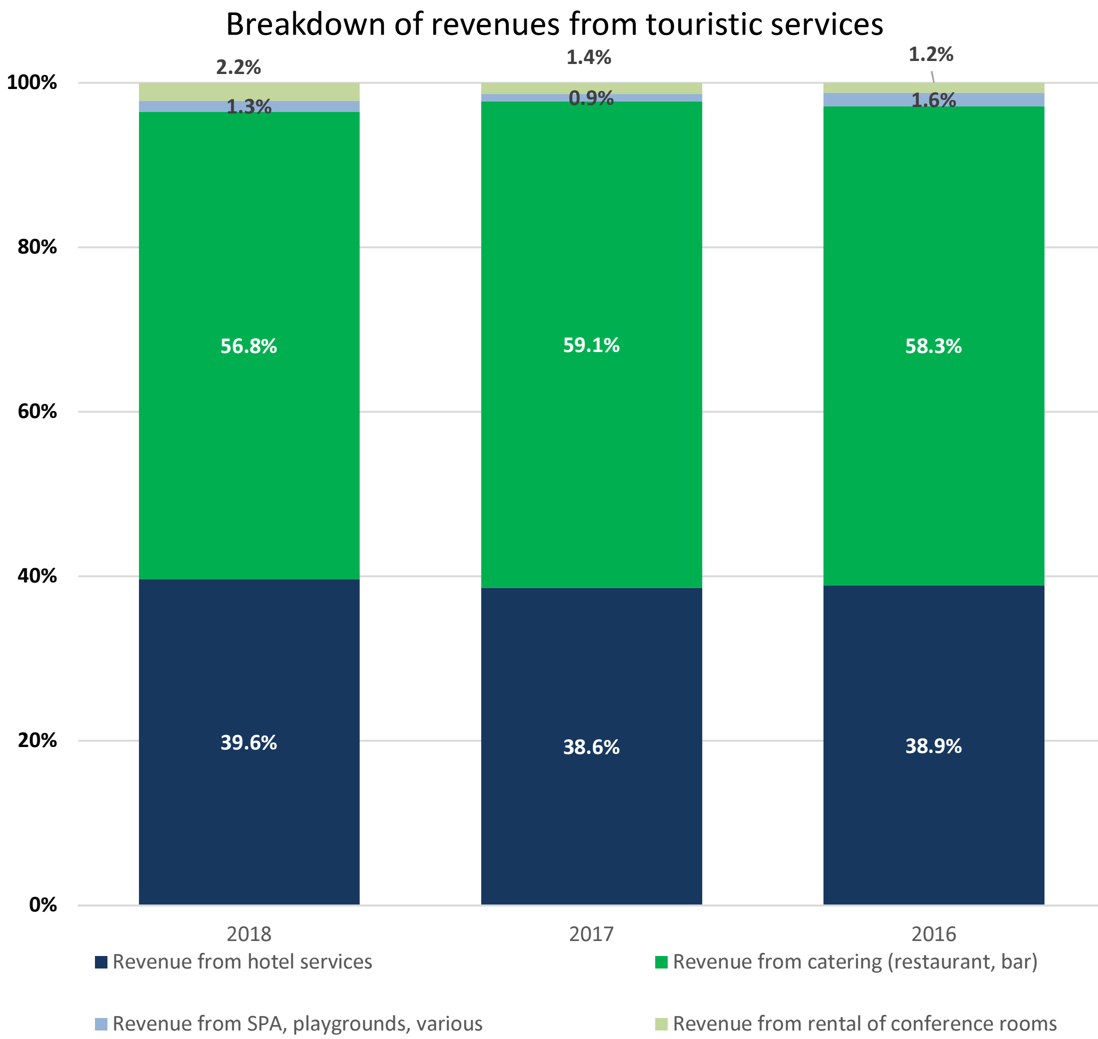
The marketing strategies and pricing policies were characterized by a maximum elasticity, adapted to a price-sensitive market, consumer dominated.

The following service packages were created and promoted:

- vacation offers;
- holydays packages with early booking discounts;
- team-building offers;
- packages for conferences.

Best Western Bucovina hotel has in its portfolio is both Romanian and foreign clients - groups especially from the European Community. The main distribution channel – sale for the foreign clients are the travel agencies that create cultural circuits.

For the domestic market, the company uses both traditional distribution channels – travel agencies, congress organizers, reception, as well as modern and unconventional channels (Online Travel Agencies and Facebook).



On the accommodation segment, the revenues registered a growth of 10.9% compared to the budget and of 13.4% higher than in 2017. The increase in the number of tourists also led to a growth of the revenues from catering. Therefore, on the food and beverage segment, the revenue was grew by 6.3% yoy, and it also was 4.4% higher than budgeted.

Description of the new products taken into consideration of which a substantial part of the assets would be affected in the next financial year, as well as the development stage of these products: Not applicable.

1.1.3. Evaluation of the supply activity

Compared to previous years when the main suppliers of raw materials and consumables of the company were primarily the wholesale distributors of food products and cash&carry stores (Metro, Selgros), in 2018 the company continued the program of developing a relationship with local producers for the food raw products – meat and dairy, as well as with HORECA suppliers.

The company is not dependent on the imports of goods, their share being a rather small one.

The inventories of raw materials have a reduced size, thus determining a good inventories turnover.

1.1.4. Evaluation of the sales activity

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

Compared to the previous year, in 2018 the company registered a 11,3% increase in operating revenue, due to the 13,4% growth of the revenue from hotel services, while the revenue from food and beverage segment were higher by 6.3%.

In the first half of 2018 the hotel registered an increase in the number of clients on the corporate events segment, thus managing an advance of revenues from the food&beverage activity. The unfavorable weather in April, June and July had a negative effect on the company's activity, causing a decline in the number of individual tourists and in the revenue generated by them.

In the third quarter, the market recorded an increase in demand due to the distribution of holiday vouchers to public employees. In the last quarter of the year there was an increase in the average price/room, but with an average occupancy rate lower than forecasted - especially in the first part of December.

Due to the development of family programs created over the past four years, and to the preservation of the segment of cultural tourism groups, the company recorded a substantial increase revenue from accommodation. The increase was mainly based on the increase in the average price/room (+ 7.8%) and the occupancy rate

Indicator	31.12.2018	31.12.2017	31.12.2016
Occupancy rate	51,6%	49,9%	48,8%
Accommodation-nights	24.495	23.299	22.990
Number of rooms	130	130	130
Average price/room/day	146	135,4	135,1

Accommodation-night – the 24-hour interval in which a room is occupied

Although foreign tourists, mainly circuit groups for sightseeing, represented the dominant segment in the first years of the hotel's activity, according to the company's estimates, the future dynamics of this group would be characterized by a sharp decline in the following years.

This has led to the implementation of a development strategy based on domestic tourists. Starting with 2014 the hotel has begun a plan of accelerated reorientation towards the domestic market, both through attracting individual clients, as well as through the development of the MICE (Meetings, Incentives, Congresses, Events) segment. The development of the MICE segment is strictly linked to the growth of the number of companies in the North of Moldova and their development. Unfortunately, the lack of infrastructure investments hinders the development in the area. In this environment, the company refocuses its policy towards the attraction of individual tourists, particularly in the segment of families with children.

In 2018 the higher advance was registered by the individual clients (direct and online) segments, as a result of the company's efforts to develop the segment of individual clients and to attract them directly.

The segment of individual tourists has grown strongly especially on direct booking channels, both because of holiday vouchers to public employees, but also because of the optimization of the distribution of leisure groups during the week and thus vacating Saturdays and Fridays. The distribution of holiday tickets has led to an increase in reservations, especially on direct booking channels, with owners trying to book directly at the hotel to check the possibility of paying with this form of payment.

b) Description of the competitive situation in the issuer's field of activity, the market share of the issuer's products or services and of its main competitors

The Best Western Bucovina Hotel is still the only hotel that operates under an international franchise in the area of the monasteries of Bucovina.

For the cultural circuit groups segment and the MICE segment Casa de Bucovina –Club de Munte SA competes with the hotels from the areas close to Bucovina: Piatra Neamt, Bistrita and Iasi, that have large and modern locations, with similar or superior capacities and facilities.

For the individual tourists' segment, the local competition is represented by 3-4 stars hotels and guesthouses, in Suceava, Gura Humorului, Campulung Moldovenesc, Vatra Dornei, as well as on the touristic route of the monasteries (Voronet – Putna – Sucevita – Moldovita).

In Gura Humorului the accommodation capacity increased from 1.788 accomodation places in 2016 to 1.880 accomodation places in 2017 and 1.964 accomodation places in 2018 Considering this data, the market share of Casa de Bucovina –Club de Munte SA was of 12,3% in 2016, 11,7% in 2017 and 11,2% in 2018. This trend will continue in 2019, when the estimated market share will decrease to about 10,7% based on the projects underway and expected to be open in the first half of the year.

c) Description of any significant dependency of the issuer towards a single client or towards a group of clients whose loss would have a negative impact on the issuer's revenues

By analyzing the contribution to the revenue from each segment of clientele as well as and the nationality distribution statistics in the significant segment (leisure group), it is observed that the company is not dependent on a single customer segment or destination, whose loss would have a negative impact on revenues.

1.1.5. Evaluation of the issuer's employees/personnel

Regarding human resources, on 31.12.2018 compared to 2017, the evolution and personnel breakdown was as follows:

	No. of personnel		**Weight in total personnel**	
	2018	**2017**	**2018**	**2017**
Total personnel hotel and leisure, of which:	44	46	57,9%	61,3%
- accommodation	18	17	23,7%	22,7%
- food&beverage	25	28	32,9%	37,3%
- SPA	1	1	1,3%	1,3%
Maintenance, repairs, transport, ancillary, production personnel	25	22	32,9%	29,3%
TESA personnel	7	7	9,2%	9,3%
Total	**76**	**75**	**100,0%**	**100,0%**

The company's relations with its employees are governed by the Collective Labor Agreement. No labor union does operate within the company.

Conflicting elements that can negatively affect the working relations at the company level do not exist nor are reported.

1.1.6. Evaluation of the impact of the issuer's activity on the environment

In 2013 the company obtained the environmental permit no.115/03.04.2013 with validity until 03.04.2023. The activity of the company does not have a significant environmental impact.
For the year 2018 Casa de Bucovina – Club de Munte S.A. did not register litigations for breaches of environmental protection rules and does not foresee such litigations at the date of the report.

1.1.7. Evaluation of the research and development activity

No research and development activities are performed within the company.
1.1.8. Evaluation of the issuer's risk management

The main risks the company is exposed to are the interest rate risk, the currency risk, the price risk, the liquidity risk, the taxation risk, the economic environment risk and the operational risk.

The general risk management strategy aims to maximize the company's profit based on the level of risk to which it is exposed and to minimize the potential adverse variations on the financial performance of the company. The company uses a variety of policies and procedures for the management and assessment of the types of risks the company is exposed to.

Interest rate risk
At 31 December 2018 and 31 December 2017, a significant weight of the company's assets 20,18% (2017: 30,52%) is interest-bearing, as cash and cash equivalents are generally invested at a short-term interest rate. The company does not hold financial instruments with a variable interest risk. The interest rates on its cash deposits range between 1,2% and 3%, and for the bonds held the interest rate is 4% p.a.

Currency risk
The company is exposed to currency risk due to fluctuations of the currency exchange rates, as the operating revenues are received under contract with EUR-denominated prices, with no specific clauses to cover the potential risk of this nature. These contracts have as beneficiaries Romanian travel agencies that are only intermediaries and cannot assume currency fluctuation risks. Most of the company's financial assets and liabilities are denominated in national currency.

Price risk
The Company is exposed to price risk associated with the variation of the price of food and non-food products necessary for its activity. The company manages this risk through an appropriate supply program.

Credit risk
The credit risk is the risk of loss or failure to achieve estimated profits, due to the counterparty's failure to fulfill its financial obligations. The company is exposed to credit risk due to its liquidities from current accounts and bank deposits and other receivables.

The company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The management has established a credit policy according to which each new corporate/company client is individually analyzed in terms of creditworthiness before being offered the company's standard terms of payment and delivery. Customers who do not meet the established conditions can perform transactions with the company only with payment in advance.

Liquidity risk
Liquidity risk is the company's risk to encounter difficulties in fulfilling the obligations associated with financial liabilities that are settled in cash or by the transfer of another financial asset. The company's approach regarding its liquidity management consists in ensuring, as much as possible, that it would always have sufficient liquidities to meet its due liabilities, both under normal conditions and under stress conditions, without incurring unacceptable losses or putting at risk the company's reputation. Generally, the company ensures that it has enough cash to cover its operating expenses.

Taxation risk
The Romanian fiscal legislation provides detailed and complex provisions, having passed through several changes in recent years. Text interpretation and practical procedures for implementing the tax legislation might vary, with the risk that certain transactions are interpreted differently by the tax authorities compared to the company's treatment. The Romanian government has several agencies authorized to conduct audits (inspections) of companies operating in Romania. These inspections are similar to tax audits in other countries and may cover not only tax matters, but other legal and regulatory matters of interest to these agencies. It is possible that the company continues to be subject to tax audits on the extent of new tax regulations being issued.

Economic environment risk
The company's management cannot foresee all the effects of potential economic or financial crises that would impact touristic and financial sectors in Romania, nor their potential impact on the present

financial statements. The Company's management believes that it has adopted the necessary measures for the sustainability and the development of the company in current market conditions

Operational risk
The operational risk is defined as the risk of recording losses or failure to achieve the estimated profits due to internal factors such as the inappropriate 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 or technological progress. The operational risk is inherent in all of the company's activities.

The policies defined for the operational risk management have taken into consideration each type of events that can generate significant risks and the ways of their manifestations, to remove or minimize losses of financial or reputational nature.

Capital adequacy
The company policy is to maintain a solid capital base necessary to maintain the trust of investors, creditors and the market and to sustain the future development of the entity. The company's equity includes the paid-up capital, different types of reserves and retained earnings. The company is not subject to mandatory capital requirements.

Internal control

The company has implemented an internal control system by applying internal methods and procedures at each department level.

Internal audit

The internal audit function is outsourced, provided by an independent legal entity, member of CAFR.

The main responsibilities of the internal auditor are as follows:
- Establish, implement and maintain an audit plan to assess and review the effectiveness and adequacy of systems, internal control mechanisms and procedures;
- Verification of the compliance with the rules and working procedures adopted by the Board of Administrators of the company;
- Issuing reports on the topics specified in the internal audit plan addressed to the Board of Administrators of the company;
- Issuing recommendations based on the outcome of the activity carried out under the audit plan;
- Verify compliance with the recommendations in the reports.

In 2018, the internal audit activity for Casa de Bucovina – Club de Munte S.A. has been carried out in compliance with the internal audit plan established in accordance with the objectives and the specific activity of the company.

1.1.9. Elements of perspective on the issuer's activity

a) Presentation and analysis of trends, elements, events or uncertainty factors that affect or could affect the issuer's liquidity, compared to the same period last year

For 2019 the company does not foresee the occurrence of factors of macroeconomic uncertainty nor trends of reduction of tourist traffic that could have a significant impact on the company's activity and liquidity.

b) Presentation and analysis of the effects of capital expenditures, current or anticipated, on the financial status of the issuer compared to the same period last year.

Expenditures incurred with the renovation of the hotel have been budgeted and included in profit and loss statement, being approximately the same as in the previous year.

Regarding the anticipated expenses, these expenses are with the inflated concession of land the concession of land due to the transition to IFRS.

c) Presentation and analysis of events, transactions and economic changes that significantly affect the revenue from the main activity.

Not applicable.

2. The issuer's tangible assets

2.1. Specification of the location and characteristics of the main production facilities owned by the issuer

The company owns a total land area of 175.880 sqm (located in Gura Humorului and in the Arinis Dendrologic Park), of which 172.392 sqm are fully owned and 3.488 sqm are taken into concession.

Along with the land, the company owns the following buildings:
- hotel (opened in 2002) located in Gura Humorului, 18, Republicii street, Suceava county, consisting of basement, mezzanine, ground floor and 8 floors, 130 rooms with a capacity of 220 guests;
- catering capacity: 2 restaurants with 180 and 60 seats, bar (60 seats) and terrace (60 seats);
- conference center: 6 rooms in the hotel (capacity between 25 and 100 seats);
- multipurpose stand-alone conference room with a capacity of 280 seats;
- office space in a Gura Humorului, 18, Republicii street, with a built surface of 171 sqm;
- Arinis Inn located in Arinis Park - terrace with a capacity of 140 seats.

At 31 December 2018, the land and buildings owned by the Company were reevaluated, as follows:

	Gross book value at 31.12.2017	Gross book value at 31.12.2018
Buildings	12.295.017	13.799.880
Land	9.776.617	10.255.586

2.2. Description and analysis of the wear degree of the issuer's assets

The depreciation of fixed assets is computed in accordance with Law 15/1994, using the straight-line depreciation. The depreciation periods (which approximate the lives of the assets) are in accordance with the current legislation.

Each year the company incurs renovation expenses, which are included in the REB and approved by the GSM in order to maintain the Best Western standards.

2.3. Specification of the potential issues related to the issuer's ownership of tangible assets

At 31.12.2018 the company has not identified potential issues related to the ownership of its tangible assets.

All land and buildings owned by the company are registered.

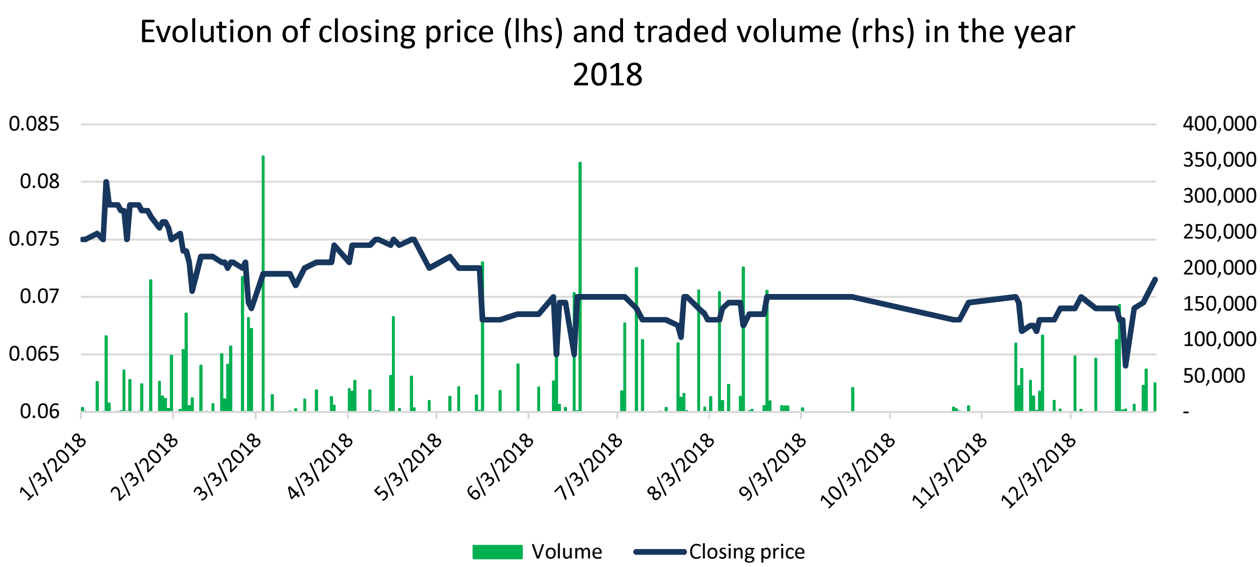
3. The issuer's security market

3.1. Specification of the markets in Romania and other countries on which the securities issued by the company are traded

The shares issued by the company have been traded on the Bucharest Stock Exchange starting with 12.05.2008, having the ticker BCM, ISIN code ROBUCMACNOR5 and Bloomberg ticker BCM RO equity. The record of Casa de Bucovina – Club de Munte SA's shares and shareholders is held by the Central Depository, a company authorized by the NSC/FSA.

Information on the trading of BCM shares in 2018 compared with 2017 and 2016 is presented in the table below:

	2018	2017	2016
Total volume (shares)	6.068.296	15.038.466	972.443
Minimum price (lei/share)	0,0640	0,0630	0,0684
Maximum price (lei/share)	0,0800	0,0850	0,0790



At the end of the years 2018 and 2017 the shareholding structure of Casa de Bucovina – Club de Munte SA was the following:

	31.12.2018		31.12.2017	
	Number of shares	(%)	Number of shares	(%)
SIF Muntenia S.A.	111.900.276	66,87	111.900.276	66,87
Other shareholders	55.439.324	33,13	55.439.324	33,13
Total	**167.339.600**	**100,00**	**167.339.600**	**100,00**

3.2. Description of the issuer's dividend policy

Casa de Bucovina - Club de Munte SA does not have a multi-annual dividend policy, dividend distribution and the amounts allocated as dividends are established annually by the General Shareholders Meeting.

Casa de Bucovina - Club de Munte SA has paid dividends for the financial years 2013-2017, according to the following table:

lei	2013*	2014	2015**	2016	2017***	2018
Net profit	620.463	620.507	518.751	608.926	672.741	55.385
Dividends	1.336.392,8	552.220,7	502.018,8	568.954,6	669.358	0
Gross dividend/share	0,0080	0,0033	0,0030	0,0034	0,0040	0

** According to GSM decision from 30.04.2014, the total value of the profit to be distributed included both the profit to be distributed for the financial year 2013, as well as the and undistributed retained earnings as per GSM decision from 23.04.2013 (lei 809.019)*
*** According to GSM decision from 29.04.2016, the total value of the profit to be distributed included both the profit to be distributed for the financial year 2015, as well as the undistributed retained earnings for the financial year 2013 (lei 63.178) and the undistributed retained earnings for the financial year 2014 (lei 30.459)*
**** According to GSM decision from 20.04.2018, he total value of the profit to be distributed included both the profit to be distributed for the financial year 2017, as well as the undistributed retained earnings for the financial years 2015 and 2016 (13.919,58 lei)*

From the net profit for the financial year, of 55.385, the company's Board of Administrators proposes the distribution of 5.007 lei to legal reserves and 50.378 lei to other reserves.

Also, the company's Board of Administrators proposes the carrying out of a buyback program, with the following features:
(i) The purpose of the Program: The Company will repurchase shares under the Program to reduce its share capital;
(ii) The maximum number of shares that may be repurchased: 5.020.188 shares at most (3% of the Company's share capital);
(iii) The acquisition price of shares: minimum price per share: 0,05 lei and maximum price per share: 0,15 lei;
(iv) Program duration: a maximum of 18 months after the publication of the decision in the Official Gazette of Romania, Part IV;
(v) The shares acquired under the Program will be payed from sources permitted by law;
(vi) The acquisition of shares under the Program will be done through all market operations allowed by law, which may include public tender offers initiated by the Company, in compliance with the law.

3.3. Description of any activity performed by the issuer regarding the acquisition of its own shares.

In 2018 the company did not acquire its own shares.

3.4. If the issuer has subsidiaries, specification of the number and face value of shares issued by the parent company which are held by its subsidiaries.

Casa de Bucovina – Club de Munte SA does not have subsidiaries.

3.5. If the issuer has issued bonds and/other debt securities, a presentation on how the company meets its obligations to the holders of such securities.

Casa de Bucovina – Club de Munte SA has not issued bonds and/or other debt securities during the year 2018.

3.6. Corporate governance

The company has filed and will file administrative and professional efforts to ensure alignment with the provisions of the Corporate Governance Code and the transparent presentation of these results.

The company disseminates on its website, www.bestwesternbucovina.ro, information about its structures of corporate governance and also the list of the members of the Board of Administrators, the updated Constitutive Act and the declaration of conformity.

The Board of Administrators of Casa de Bucovina – Club de Munte has met 10 times in 2018 to analyze the activity of the company and its development perspectives.

The company's Board of Administrators has two independent members. According to the information gathered from the members of the Board of Administrators, there is no relationship between the board member and a shareholder who holds directly or indirectly shares representing more than 5% of all voting rights and which could hinder the member's position regarding the Board of Administrators' decisions.

As of the date of this report, Mrs. Florica Trandafir, president of the company's Board of Administration is also member in the Board of Administrators of Firos SA and President of the Board of Administrators – Director of Corporate Management at SAI Muntenia Invest SA, the administrator of SIF Muntenia. Mr. Mircea Constantin, member in the company's Board of Administration is also member in the Supervisory Board of ARO PALACE SA, President of the Board of Administrators of Unisem SA and Director at SAI Muntenia Invest, the administrator of SIF Muntenia. Mr. Dumitru Florin Chiribuca, member in the company's Board of Administrators is also the Head of Local Taxes Office within Gura Humorului City Hall. Otherwise mentioned above, the company has no information on the existence of other relatively permanent commitments and professional obligations of the members of the company's Board of Administrators.

The Audit Committee and the Remuneration Committee have been established. The company will analyze the opportunity to create other advisory committees to examine the important aspects proposed by corporate governance and to support the activity of the Board of Administrators.

The current and financial reports are currently and systematically provided to company's shareholders. Information regarding the General Shareholders Meeting, the convening notice, the agenda, the special power of attorney forms, vote by correspondence forms, draft resolutions are posted on a special section of the company's website. The company ensures the immediate information of all the shareholders about the decisions made and the vote result after the General Shareholders Meeting. The shareholders' participation to the meeting is strongly encouraged, shareholders who cannot attend have the opportunity to vote by correspondence or by representative.

The Investors Relation is supported by an internal structure that informs the shareholders in accordance with the questions submitted in writing/ by phone.

Casa de Bucovina - Club de Munte SA's Corporate Governance declaration is annexed to this report.

4. Issuer's management

4.1. The Board of Administrators

According with the Constitutive Act of the Company and the resolutions of the General Shareholders Meeting, the company has adopted the unitary management system, which entails appointing a Board of Administrators composed of an odd number of Administrators and delegating the management of the company to a general manager.

The Board of Administrators, appointed in accordance with Resolution of the Ordinary General Shareholders Meeting from 29.04.2016, consists of 5 members. The members of the board have four-year mandates, according with the legal provisions in force.

The current structure of the Board of Administrators is as follows:

- Florica Trandafir - President;
- Ion Romica Tamas – Vice-President;
- Mircea Constantin - member;
- Liana Marin - member;
- Dumitru Florin Chiribuca - member.

The CVs of the administrators are available on the company's website, www.bestwesternbucovina.ro, under the Shareholder Information section, Corporate Governance sub-section.

According to available information to the company, there is no agreement, arrangement or family relationship between the administrators and another person due to whom that person was appointed administrator.

As of 31.12.2018, the members of the Board of Administrators held shares issued by Casa de Bucovina - Club de Munte SA as follows:

- Florica Trandafir: 0 shares;
- Ion Romica Tamas: 99.000 shares;
- Mircea Constantin: 135.393 shares;
- Liana Marin: 100.000 shares;
- Dumitru Florin Chiribuca: 0 shares.

4.2. The executive management of the issuer

In 2018 the executive management of the company was provided by:

- General Manager - Mandate contract (starting with 16.02.2014) - Ion Romica Tamas;
- Economic Manager – Permanent contract (starting with 11.11.2002) - Misiuc Livia;
- Sales Manager – Permanent contract (starting with 01.07.1999) - Prosciuc Doina;
- Food & Beverage Manager – Permanent contract – Stefan Ghisovan (starting with 01.11.2006);
- Accommodation Manager – Permanent contract (starting with 08.11.2002) - Simota Analaura – Iuliana;
- Technical Director – Permanent contract (starting with 12.08.2002) – Mihai Sava.

According to available information to the company, there is no agreement, arrangement or family relationship between the members of the executive management and another person due to whom that person was appointed member of the executive management

As of 31.12.2017, the members of the executive management held shares issued by Casa de Bucovina - Club de Munte SA as follows:

- Ion Romica Tamas: 99.000 shares;
- Livia Misiuc: 43.516 shares;
- Doina Prosciuc: 43.516 shares;
- Stefan Ghisovan: 1.406 shares;
- Analaura – Iuliana Simota: 30.352 shares;
- Mihai Sava: 20.352 shares.

4.3. For all the persons mentioned at 4.1. and 4.2. above a mention of potential dispute or administrative proceedings during the past five years regarding their activity within the issuer, or any other action pertaining to their ability to meet the requirements of their roles within the issuer.

The company is not aware of any potential dispute or administrative proceedings during the past five years for the members of the Board of Administrators or the members of executive management regarding their activity within the company, or any other action pertaining to their ability to meet the requirements of their roles within the issuer.

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5. Financial and accounting situation

5.1. Financial statements

The financial statements at 31 December 2018 have been prepared in accordance with Finance Ministry Order no.2844/12.12.2016 for the approval of Accounting Regulations in accordance with the International Financial Reporting Standards applicable to companies whose securities are admitted to trading on a regulated market. The transition date to the International Financial Reporting Standards was 1 January 2011.

The financial statements are denominated in lei and are audited by 3B Expert Audit.

The table below shows the main elements of the company's financial position as of 31.12.2018, compared with elements of the company's financial position as of 31.12.2017 and 31.12.2016:

lei	31 December 2018	31 December 2017	31 December 2016
Assets			
Cash and bank accounts	2.135.663	2.785.781	3.026.132
Deposits at banks	5.977.971	10.159.792	9.708.682
Financial assets at fair value through profit or loss	4.116.728	-	-
Financial assets at amortized cost/Loans and receivables	2.228.616	2.229.756	2.228.527
Inventories	186.415	193.393	182.048
Other assets	808.269	700.274	538.875
Tangible and intangible fixed assets	24.839.632	22.082.551	22.263.836
Total assets	**40.293.294**	**38.151.547**	**37.948.100**
Liabilities			
Deferred tax liability	-	-	1.937.734
Trade payables	417.161	434.171	397.571
Other liabilities	505.634	458.470	393.487
Total liabilities	**922.795**	**892.641**	**2.728.792**
Shareholders' equity			
Share capital	31.887.100	31.887.100	31.887.100
Reserves from revaluation of tangible assets	14.937.123	12.013.107	10.162.996
Reported result	(7.453.724)	(6.641.302)	(6.830.788)
Total shareholders' equity	**39.370.499**	**37.258.905**	**35.219.308**
Total shareholders' equity and liabilities	**40.293.294**	**38.151.547**	**37.948.100**

Taking into account the interest rates in the market, significantly lower than the inflation rate, as well as the liquidities available, the company purchased fund units issued by the closed-end fund Star Value, with a total value of 5 million lei, with exposure to issuers traded on the Bucharest Stock Exchange, specially to the issuers that constitute the BET FI Index.

With the entry into force of IFRS 9 Financial Instruments, the Company has classified the fund units as financial assets at fair value through profit or loss, which implies the inclusion in the statement of comprehensive income of realized or unrealized gains or losses from holding the fund units.

The main elements of the statement of comprehensive income for the last three financial years are presented in the following table:

lei	2018	2017	2016
Revenue from touristic services	9.130.787	8.260.566	8.096.576
Other revenue	72.798	9.885	3.474
Raw materials and consumables used	(1.235.474)	(1.138.832)	(1.353.045)
Cost of goods sold	(1.816.353)	(1.737.512)	(1.713.995)
Third party expenses	(1.216.075)	(1.127.279)	(1.102.266)
Personnel costs	(2.841.886)	(2.594.290)	(2.293.542)
Depreciation and impairment of fixed assets	(510.263)	(468.537)	(454.288)
Other expenses	(808.753)	(743.121)	(781.140)
Operating profit	**774.781**	**460.880**	**401.774**
Financial revenue	208.631	285.046	328.679
Expense from the valuation of financial assets at fair value through profit or loss	(883.268)	0	0
Profit before taxes	**100.144**	**745.926**	**730.453**
Tax expense	(44.759)	(73.185)	(121.527)
Profit for the financial year	**55.385**	**672.741**	**608.926**
Other comprehensive income			
Items that are or may be transferred to profit or loss			
Increase/(Decrease) in revaluation reserve of tangible assets, net of deferred tax	3.009.714	13.712	13.712
Total comprehensive income for the period	**3.065.098**	**686.453**	**622.638**

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In 2018, the company registered a 10.5% yoy rise in revenues from touristic services, due to the growth of both the revenues from hotel services (+13.4% yoy), but also the revenues from catering (+6.3 yoy). Operating expenses had a similar dynamic as the revenues, of +7.9% yoy. The main cause of the increase in operating expenses was the growth of personnel costs (+9.5% yoy), mainly due to the increase of the mandatory minimum wage. The operating profit went up by 68.1%% yoy, from approx. 0.46mn lei in 2017 to 0.77mn lei in 2018. The company recorded a value of the gross operating profit (GOP) of 2.280.099 lei, 13.3% higher than the amount budgeted, of 2.011.913 lei.

The profit for the financial year was affected by the negative financial result, mainly due to the decrease of the interest income and the and the marking-to-market of the fund units. Thus, the company ended the year 2018 with a net profit of 55.385 lei, compared to the profit of 672.741 lei registered in 2017

lei	31 December 2018	31 December 2017	31 December 2016
I. Cash flow from operating activities			
1 – Profit before taxes	**100.144**	**745.926**	**730.453**
2 - Adjustments for non-cash items and other items included in investing or financing activities, of which:	***1.679.505***	***708.465***	***601.548***
2.1. Depreciation of fixed assets	510.263	468.537	454.288
2.2. Provisions for risks and charges	3.652	37.102	6.865
2.3. Impairment of current assets	19.501	237	8.896
2.4. Maintenance costs and revenues from the disposal of assets	467.040	451.814	391.705
2.5. Net loss from the revaluation of financial assets at fair value through profit or loss	883.268	-	-

lei	31 December 2018	31 December 2017	31 December 2016
2.6. Net gain from the revaluation of tangible assets at fair value, through profit or loss	(61.238)	-	-
2.7. Interest income	(221.708)	(276.575)	(320.211)
2.8. Adjustments for other non-cash items	78.276	87.870	60.004
3 - Changes in working capital during the period, of which:	***(73.261)***	***(60.844)***	***185.004***
3.1. (Increase) / Decrease in balances of trade receivables and other receivables	(131.767)	(157.366)	66.653
3.2. (Increase) / Decrease in inventory balance	6.978	(11.345)	138
3.3. Increase / (Decrease) in trade payables and other liabilities balances	51.528	67.656	118.213
4. Income tax paid	***(85.371)***	***(82.556)***	***(115.192)***
Net cash from operating activities (A)	**1.621.017**	**1.310.991**	**1.401.994**
II. Cash flows from investing activities			
5 - cash payments for the acquisition of tangible and intangible assets, including improvements	(1.050.536)	(840.440)	(499.767)
6 - cash receipts from interest and similar	238.470	276.575	320.211
7 – cash receipts from disposals of tangible assets	9.292	3.570	-
8 - cash payments for the acquisition of financial assets measured at fair value through profit or loss	(4.999.996)	-	-
9 – cash payments for the acquisition of financial assets measured at amortized cost	(2.225.000)	-	-
10 – cash receipts from financial assets measured at amortized cost on their maturity	2.225.000	-	-
Net cash from investment activities (B)	**(5.802.771)**	**(560.294)**	**(179.556)**
III. Cash flow from financing activities			
11 – dividend payments to shareholders	(657.299)	(559.132)	(511.677)
12 - Net placements from deposits with a maturity of more than 3 months and less than one year	4.166.042	(432.030)	(4.142.970)
Net cash from financing activities (C)	**3.508.745**	**(991.161)**	**(4.654.647)**
Cash flows – Total (A+B+C)	**(673.009)**	**(240.465)**	**(3.432.209)**
Cash at beginning of period	**2.785.622**	**3.026.087**	**6.458.296**
Cash at end of period	**2.112.613**	**2.785.622**	**3.026.087**

5.2. Liquidity, risk and management indicators

Liquidity indicators		**2018**	**2017**
Current liquidity	Current assets / Current liabilities	18,83	20,26
Quick liquidity – acid test	(Current assets-Inventories) / Current liabilities	18,60	20,02
Risk indicators		**2018**	**2017**
Indebtedness	Debt / Equity*100	n/a	n/a
Interest coverage ratio	EBIT / Interest costs	n/a	n/a
Management indicators		**2018**	**2017**
Inventory turnover	COGS / Average inventory	9,56	8,98
Days of storage	Average inventory / COGS *365	38,16	39,43
Clients turnover (days)	Average clients balance / Turnover *365	12,51	13,13
Trade payables turnover (days)	Average suppliers balance / Acquired goods (without services)*365	28,95	25,72
Fixed assets turnover	Turnover / Fixed assets	0,37	0,37
Total assets turnover	Turnover / Total assets	0,23	0,22

5.3. Revenues and Expenditures Budget Execution

The main financial indicators registered in 2018, compared with the 2018 REB are presented in the following table:

	REB 2018	Actual 2018
Total revenues	8.467.898	9.130.787
Total expenses	(4.627.532)	(4.947.278)
Profit from operating activity*	**3.840.366**	**4.183.509**
General, marketing, utilities and maintenance expenses	(1.828.453)	(1.903.410)
GOP**	**2.011.913**	**2.280.099**
Expenses with the BOA, auditors, taxes, royalties, insurance	(490.200)	(492.733)
Operating result before the expenses with depreciation, repairs, modernization and provisions	**1.521.713**	**1.787.366**
Depreciation	(487.500)	(510.263)
Repairs and modernization expenses	(560.000)	(539.892)
Other revenue/(expenses) outside the main activity, net	0	37.570
Operating result	**474.213**	**774.781**
Financial result	276.000	(674.637)
Gross result	**750.213**	**100.144**

** The profit from operating activity is determined as the difference between the revenue earned on all activity segments and the expenses incurred for all activity segments, less general costs, marketing, utilities, maintenance, expenses with the Administration Board, taxes, royalties, insurances, depreciation, provisions and repairs and modernization expenses*
*** GOP – Gross Operating Profit*

6. Annexes

Corporate Governance Declaration

Statement of conformity

Financial statements at 31.12.2018

The auditor's report for the financial statements at 31.12.2018

Notes to the financial statements at 31.12.2018

7. Signatures

Florica Trandafir | Livia Misiuc

President of the Board of Administrators | **Economic Manager**

Status of compliance with the provisions of the new BSE Corporate Governance Code as of 31 December 2018

Code provisions	Complies	Does not comply or partially complies	Observations
SECTION A - RESPONSIBILITIES			
A.1. All companies should have internal regulation of the Board which includes terms of reference/ responsibilities for Board and key management functions of the company, applying, among others, the General Principles of Section A.	X		
A.2. Provisions for the management of conflict of interest should be included in Board regulation. In any event, members of the Board should notify the Board of any conflicts of interest which have arisen or may arise, and should refrain from taking part in the discussion (including by not being present where this does not render the meeting non-quorate) and from voting on the adoption of a resolution on the issue which gives rise to such conflict of interest.	X		
A.3. The Board of Directors should have at least five members.	X		
A.4. The majority of the members of the Board should be non-executive. Not less than two non-executive members of the Board of Directors should be independent, in the case of Premium Tier Companies. Each member of the Board should submit a declaration that he/she is	X		

Code provisions	Complies	Does not comply or partially complies	Observations
independent at the moment of his/her nomination for election or re-election as well as when any change in his/her status arises, by demonstrating the ground on which he/she is considered independent in character and judgment.			
A.5. A Board member's other relatively permanent professional commitments and engagements, including executive and nonexecutive Board positions in companies and not-for-profit institutions, should be disclosed to shareholders and to potential investors before appointment and during his/her mandate.	X		The information is included in the annual report presented to the General Shareholders Meeting.
A.6. Any member of the Board should submit to the Board, information on any relationship with a shareholder who holds directly or indirectly, shares representing more than 5% of all voting rights.	X		The information is included in the annual report presented to the General Shareholders Meeting.
A. 7. The company should appoint a Board secretary responsible for supporting the work of the Board.	X		
A.8. The corporate governance statement should inform on whether an evaluation of the Board has taken place under the leadership of the chairman or the nomination committee and, if it has, summarize key action points and changes resulting from it. The company should have a policy/guidance regarding the evaluation of the Board containing	X		Implementation pending

Code provisions	Complies	Does not comply or partially complies	Observations
the purpose, criteria and frequency of the evaluation process.			
A.9. The corporate governance statement should contain information on the number of meetings of the Board and the committees during the past year, attendance by directors (in person and in absentia) and a report of the Board and committees on their activities.	X		The information is included in the annual report presented to the General Shareholders Meeting.
A.10. The corporate governance statement should contain information on the precise number of the independent members of the Board of Directors.	X		The information is included in the annual report presented to the General Shareholders Meeting.
A.11. The Board of Premium Tier companies should set up a nomination committee formed of non-executives, which will lead the process for Board appointments and make recommendations to the Board. The majority of the members of the nomination committee should be independent.		X	The Board of Administrators has assumed the charges of the nomination committee, to evaluate the candidates for position of member of BoA and to make recommendations to the GSM for their appointment
SECTION B - RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM			
B.1 The Board should set up an audit committee, and at least one member should be an independent non-executive. In the case of Premium Tier companies, the audit committee should be composed of at least three members and the majority of the audit committee should be independent.	X		

Code provisions	Complies	Does not comply or partially complies	Observations
B.2. The audit committee should be chaired by an independent non-executive member.	X		
B.3. Among its responsibilities, the audit committee should undertake an annual assessment of the system of internal control.		X	Implementation pending
B.4. The assessment should consider the effectiveness and scope of the internal audit function, the adequacy of risk management and internal control reports to the audit committee of the Board, management's responsiveness and effectiveness in dealing with identified internal control failings or weaknesses and their submission of relevant reports to the Board.		X	The company intends to make the necessary efforts to comply
B.5. The audit committee should review conflicts of interests in transactions of the company and its subsidiaries with related parties.		X	Under the applicable regulations, at the end of each semester, the financial auditor will analyze the reported transactions during that semester according to art. 82 of Law no. 24/2017 and will draw up a report stating whether the price, in conjunction with the rights and obligations assumed by the parties, is correct in relation to other existing offers on the market
B.6. The audit committee should evaluate the efficiency of the internal control system and risk management system.	X		
B.7. The audit committee should monitor the application of statutory and	X		

Code provisions	Complies	Does not comply or partially complies	Observations
generally accepted standards of internal auditing. The audit committee should receive and evaluate the reports of the internal audit team.			
B.8. Whenever the Code mentions reviews or analysis to be exercised by the Audit Committee, these should be followed by periodical (at least annual), or ad-hoc reports to be submitted to the Board afterwards.	X		
B.9. No shareholder may be given undue preference over other shareholders with regard to transactions and agreements made by the company with shareholders and their related parties.	X		
B.10. The Board should adopt a policy ensuring that any transaction of the company with any of the companies with which it has close relations, that is equal to or more than 5% of the net assets of the company (as stated in the latest financial report), should be approved by the Board following an obligatory opinion of the audit committee.	X		
B.11. The internal audits should be carried out by a separate structural division (internal audit department) within the company or by retaining an independent third-party entity.	X		
B.12. To ensure the fulfillment of the core functions of the internal audit department, it should report	X		

Code provisions	Complies	Does not comply or partially complies	Observations
functionally to the Board via the audit committee. For administrative purposes and in the scope related to the obligations of the management to monitor and mitigate risks, it should report directly to the chief executive officer.			
SECTION C - FAIR REWARDS AND MOTIVATION			
C.1. The company should publish a remuneration policy on its website and include in its annual report a remuneration statement on the implementation of this policy during the annual period under review. Any essential change of the remuneration policy should be published on the corporate website in a timely fashion.		X	Pending implementation
SECTION D - BUILDING VALUE THROUGH INVESTORS' RELATIONS			
D.1. The company should have an Investor Relations function - indicated, by person (s) responsible or an organizational unit, to the general public. In addition to information required by legal provisions, the company should include on its corporate website a dedicated Investor Relations section, both in Romanian and English, with all relevant information of interest for investors, including:	X		
D.1.1. Principal corporate regulations: the articles of association, general shareholders' meeting procedures;	X		
D.1.2. Professional CVs of the members of its governing bodies, a Board	X		

Code provisions	Complies	Does not comply or partially complies	Observations
member's other professional commitments, including executive and non-executive Board positions in companies and not-for-profit institutions;			
D.1.3. Current reports and periodic reports (quarterly, semi-annual and annual reports);	X		
D.1.4. Information related to general meetings of shareholders;	X		
D.1.5. Information on corporate events;	X		
D.1.6. The name and contact data of a person who should be able to provide knowledgeable information on request;	X		Shareholders can request information by using the e-mail adress actionari@bestwesternbucovina.ro
D.1.7. Corporate presentations (e.g. IR presentations, quarterly results presentations, etc.), financial statements (quarterly, semiannual, annual), auditor reports and annual reports.	X		
D.2. A company should have an annual cash distribution or dividend policy. The annual cash distribution or dividend policy principles should be published on the corporate website.		X	
D.3. A company should have adopted a policy with respect to forecasts, whether they are distributed or not.		X	The company intends to make the necessary efforts to comply

Code provisions	Complies	Does not comply or partially complies	Observations
The forecast policy should be published on the corporate website.			
D.4. The rules of general meetings of shareholders should not restrict the participation of shareholders in general meetings and the exercising of their rights. Amendments of the rules should take effect, at the earliest, as of the next general meeting of shareholders.	X		
D.5. The external auditors should attend the shareholders' meetings when their reports are presented there.	X		
D.6. The Board should present to the annual general meeting of shareholders a brief assessment of the internal controls and significant risk management system, as well as opinions on issues subject to resolution at the general meeting.	X		
D . 7. Any professional, consultant, expert or financial analyst may participate in the shareholders' meeting upon prior invitation from the Chairman of the Board. Accredited journalists may also participate in the general meeting of shareholders, unless the Chairman of the Board decides otherwise.	X		
D.8. The quarterly and semi-annual financial reports should include information in both Romanian and English regarding the key drivers influencing the change in sales, operating profit, net profit and	X		

Code provisions	Complies	Does not comply or partially complies	Observations
other relevant financial indicators, both on quarter-on-quarter and year-on-year terms.			
D.9. A company should organize at least two meetings/conference calls with analysts and investors each year. The information presented on these occasions should be published in the IR section of the company website at the time of the meetings/conference calls.		X	The company intends to make the necessary efforts to comply
D.10. If a company supports various forms of artistic and cultural expression, sport activities, educational or scientific activities, and considers the resulting impact on the innovativeness and competitiveness of the company part of its business mission and development strategy, it should publish the policy guiding its activity in this area.		X	The Company does not have yet a policy guiding the supporting of various forms of artistic and cultural expression, sport activities, educational or scientific activities

Casa de Bucovina – Club de Munte S.A.

Financial Statements
31 December 2018

Prepared in accordance with International Financial Reporting Standards adopted by the European Union

This document is a translation from its Romanian version. In case of any difference between the Romanian and the English versions, the Romanian version shall prevail.

Contents

Casa de Bucovina – Club de Munte S.A.
Statement of comprehensive income
for the financial year ended 31 December 2018

in lei	Note	2018	2017
Revenue from touristic services	5	9.130.787	8.260.566
Other revenue		72.798	9.885
Raw materials and consumables used		(1.235.474)	(1.138.832)
Cost of goods sold		(1.816.353)	(1.737.512)
Third party expenses	6	(1.216.075)	(1.127.279)
Personnel costs	7	(2.841.886)	(2.594.290)
Depreciation and impairment of fixed assets	8	(510.263)	(468.537)
Other expenses	9	(808.753)	(743.121)
Operating profit		**774.781**	**460.880**
Financial revenue	10	208.631	285.046
Expense from the valuation of financial assets at fair value through profit or loss	11	(883.268)	-
Profit before taxes		**100.144**	**745.926**
Tax expense	12	(44.759)	(73.185)
Profit for the financial year		**55.385**	**672.741**
Other comprehensive income			
Items that are or may be transferred to profit or loss			
Increase/(Decrease) in revaluation reserve of tangible assets, net of deferred tax		3.009.714	13.712
Total comprehensive income for the period		**3.065.098**	**686.453**
Earnings per share	13		
Basic		**0,0003**	**0,004**
Diluted		**0,0003**	**0,004**

The individual financial statements were approved by the Board of Administrators on 13 March 2019.

Tamas Ion Romica
General Manager

Misiuc Livia
Economic Manager

The notes on pages 7 to 46 are part of the financial statements.

Casa de Bucovina – Club de Munte S.A.
Statement of financial position
as of 31 December 2018

in lei	Note	31 December 2018	31 December 2017
Assets			
Cash and bank accounts	13	2.135.663	2.785.781
Deposits at banks	14	5.977.971	10.159.792
Financial assets at fair value through profit or loss	15 a)	4.116.728	-
Financial assets at amortized cost/Loans and receivables	15 b)	2.228.616	2.229.756
Inventories	16	186.415	193.393
Other assets	16	808.269	700.274
Tangible and intangible fixed assets	17	24.839.632	22.082.551
Total assets		**40.293.294**	**38.151.547**
Liabilities			
Trade payables	18	417.161	434.171
Other liabilities	19	505.634	458.470
Total liabilities		**922.795**	**892.641**
Shareholders' equity			
Share capital	20 a)	31.887.100	31.887.100
Reserves from revaluation of tangible assets	20 b)	14.937.123	12.013.107
Reported result	20 c)	(7.453.724)	(6.641.302)
Total shareholders' equity		**39.370.499**	**37.258.905**
Total shareholders' equity and liabilities		**40.293.294**	**38.151.547**

Tamas Ion Romica
General Manager

Misiuc Livia
Economic Manager

The notes on pages 7 to 46 are part of the financial statements.

Casa de Bucovina – Club de Munte S.A.
Statement of changes in shareholders' equity
for the financial year ended 31 December 2018

in lei	Share capital	Reserves from revaluation of tangible assets	Reported result	Reported result from the adoption of IAS 29 for the first time	Total shareholders' equity
Balance as of 1 January 2018	**31.887.100**	**12.013.107**	**3.458.169**	**(10.099.471)**	**37.258.905**
Total global result for the period					
Net result for the period			55.385		55.385
Other comprehensive income					
Increase of the reserve for revaluation of tangible assets		3.009.714			3.009.714
Transfer from revaluation reserve to retained earnings as depreciation		(85.698)	85.698		-
Reported result from other adjustments			(284.147)		(284.147)
Total other comprehensive income		**2.924.016**	**(198.450)**		**2.725.567**
Total comprehensive income for the period		**2.924.016**	**(143.064)**		**2.780.952**
Transactions with shareholders registered directly in shareholders' equity					
Dividends distributed			(669.358)		(669.358)
Transactions with shareholders directly registered in shareholders' equity			**(669.358)**		**(669.358)**
Balance as of 31 December 2018	**31.887.100**	**14.937.123**	**2.645.747**	**(10.099.471)**	**39.370.499**

Casa de Bucovina – Club de Munte S.A.
Statement of changes in shareholders' equity
for the financial year ended 31 December 2017

in lei	Share capital	Reserves from revaluation of tangible assets	Reported result	Reported result from the adoption of IAS 29 for the first time	Total shareholders' equity
Balance as of 1 January 2017	**31.887.100**	**10.162.997**	**3.268.682**	**(10.099.471)**	**35.219.308**
Total global result for the period					
Net result for the period			672.741		672.741
Other comprehensive income					
Derecognition of deferred tax from the reserves from revaluation of tangible assets		1.935.808			1.935.808
Transfer from revaluation reserve to retained earnings as depreciation		(85.698)	85.698		-
Total other comprehensive income		**1.850.110**	**85.698**		**1.935.808**
Total comprehensive income for the period		**1.850.110**	**758.439**		**2.608.549**
Transactions with shareholders registered directly in shareholders' equity					
Dividends distributed			(568.952)		(568.952)
Transactions with shareholders directly registered in shareholders' equity			**(568.952)**		**(568.952)**
Balance as of 31 December 2017	**31.887.100**	**12.013.107**	**3.458.169**	**(10.099.471)**	**37.258.905**

Tamas Ion Romica
General Manager

Misiuc Livia
Economic Manager

The notes on pages 7 to 46 are part of the financial statements.

Casa de Bucovina – Club de Munte S.A.
Cash Flow Statement
for the financial year ended 31 December 2018

	Note	2018	2017
I. Cash flow from operating activities			
1 – Profit before taxes		**100.144**	**745.926**
2 - Adjustments for non-cash items and other items included in investing or financing activities, of which:		***1.679.505***	***708.465***
2.1. Depreciation of fixed assets	17	510.263	468.537
2.2. Provisions for risks and charges		3.652	37.102
2.3. Impairment of current assets		19.501	237
2.4. Maintenance costs and revenues from the disposal of assets		467.040	451.814
2.5. Net loss from the revaluation of financial assets at fair value through profit or loss	11	883.268	-
2.6. Net gain from the revaluation of tangible assets at fair value, through profit or loss	17 A	(61.238)	-
2.7. Interest income		(221.708)	(276.575)
2.8. Adjustments for other non-cash items		78.726	87.870
3 - Changes in working capital during the period, of which:		***(73.261)***	***(60.844)***
3.1. (Increase) / Decrease in balances of trade receivables and other receivables		(131.767)	(157.366)
3.2. (Increase) / Decrease in inventory balance		6.978	(11.345)
3.3. Increase / (Decrease) in trade payables and other liabilities balances		51.528	67.656
4. Income tax paid		***(85.371)***	***(82.556)***
Net cash from operating activities (A)		**1.621.017**	**1.310.991**
II. Cash flows from investing activities			
5 - cash payments for the acquisition of tangible and intangible assets, including improvements		(1.050.536)	(840.440)
6 - cash payments for the acquisition of financial assets measured at fair value through profit or loss	15 a)	(4.999.996)	
7 – cash receipts from financial assets measured at amortized cost on their maturity	15 b)	2.225.000	
8 – cash payments for the acquisition of financial assets measured at amortized cost	15 b)	(2.225.000)	
9 - cash receipts from interest and similar		238.470	276.575
10 – cash receipts from disposals of tangible assets		9.292	3.570
Net cash from investment activities (B)		**(5.802.771)**	**(560.294)**
III. Cash flow from financing activities			
11 – dividend payments to shareholders		(657.299)	(559.132)
12 - Net placements from deposits with a maturity of more than 3 months and less than one year	14	4.166.042	(432.030)
Net cash from financing activities (C)		**3.508.745**	**(991.161)**
Cash flows – Total (A+B+C)		**(673.009)**	**(240.465)**
Cash at beginning of period		**2.785.622**	**3.026.087**
Cash at end of period		**2.112.613**	**2.785.622**

Casa de Bucovina – Club de Munte S.A.
Cash Flow Statement
for the financial year ended 31 December 2018

Cash and cash equivalents include:

in LEI	Note	2018	2017
Cash on hand		14.484	26.083
Current accounts with banks		2.098.129	2.759.539
Total cash and cash equivalents	**13**	**2.112.613**	**2.785.622**

Tamas Ion Romica
General Manager

Misiuc Livia
Economic Manager

The notes on pages 7 to 46 are part of the financial statements.

1. The reporting entity

Casa de Bucovina – Club de Munte SA (the „Company") is a joint stock company which operates in Romania in accordance with the provisions of Company Law no. 31/1990 republished with subsequent amendments and completions.
The Company is headquartered in Gura Humorului, 18 Republicii Square, Suceava county.

The Company has as main activity hotel services, catering and recreational/leisure services, selling tourism services, organizing conferences or events, for national and foreign companies.
The Company's shares are listed on the Bucharest stock exchange, II tier, with the BCM ticker, starting with 12 May 2008.

As of 31 December 2018, 66.87% of the Company is owned by SIF Muntenia SA, and 33.13% by other shareholders. Depozitarul Central Bucuresti keeps the evidence of shares and shareholders, according to the legal provisions.

Specific indicators:

Indicator	31.12.2018	31.12.2017
1. Occupancy rate	51,6%	49,9%
2. Accommodation-nights	24.495	23.299
3. Number of rooms	130	130
4. Average price/room/day	146,00	135,4

The statutory audit for the financial year 2018 has been performed by 3B Expert Audit SRL. The auditor has exclusively provided financial audit services. The financial auditor's fee for the year ended 31 December 2018 is of 27.000 lei (31.12.2017: 27.000 lei).

2. Basis of preparation

(a) Declaration of conformity

The financial statements have been prepared in accordance with the Finance Ministry Order no. 2844/12.12.2016 for the approval of the accounting Regulations compliant with the International Financial Reporting Standards, applicable to companies whose securities are traded on a regulated market, with subsequent amendments and completions. The International Financial Reporting Standards are the standards adopted according to the procedure set out in the (CE) Regulation no. 1606/2002 of the European Parliament and the Council as of 19 July 2002 for the enforcement of International Accounting Standards.

The date of transition to International Financial Reporting Standards was 1 January 2011.
Starting with the financial year 2012, the companies whose securities are admitted to trading on a regulated market are required to apply IFRS standards when preparing their individual yearly financial statements, as a single set of financial statements.

The Company is part of SIF Muntenia Group, being its subsidiary. SIF Muntenia prepares annual financial statements in accordance with FSA Rule no. 39/2015 approving the Accounting Regulations compliant with the International Financial Reporting Standards applicable to entities authorized, regulated and supervised by the Financial Supervisory Authority, Sector of Investments and Financial Instruments (FSA Rule no. 39/2015).

2. Basis of preparation (continued)

(a) Declaration of conformity (continued)

In accordance with Regulation no. 1.606/2002 of the European Parliament and the EU Council Regulation as of 19 July 2002 and FSA Rule no.39/2015, SIF Muntenia has prepared consolidated financial statements in accordance with International Financial Reporting Standards adopted by the European Union for the financial year ended 31 December 2017. The consolidated financial statements as of 31 December 2017 can be found on the SIF Muntenia's website www.sifmuntenia.ro. Starting 1 January 2018, SIF Muntenia has complied with the assesment criteria as an investment entity, in accordance with IFRS 10 "Consolidated Financial Statements." Consequently, SIF Muntenia will no longer prepare consolidated financial statements, with individual financial statements being the entity's only financial statements.

(b) Presentation of financial statements

The financial statements are presented in accordance with IAS 1 "Presentation of Financial Statements". The Company has adopted a presentation based on liquidity in the statement of financial position and a presentation of revenues and expenditures according to their nature in the statement of comprehensive income, considering that these methods of presentation provide information that is reliable and more relevant than those that would have been presented under other methods allowed by IAS 1.

(c) Functional and presentation currency

The Company's management considers that the functional currency, as defined by IAS 21 "Effects of exchange rate variation", is the Romanian leu (lei). Individual financial statements are presented in lei, rounded to the nearest leu, currency chosen by the Company's management as presentation currency.

(d) Basis of valuation

The financial statements were prepared using the fair value convention for financial assets at fair value through profit or loss. Other assets and financial liabilities, as well as the non-financial assets and liabilities are presented at amortized cost, revalued value or historical cost.

(e) Use of estimates and judgements

The preparation of financial statements in accordance with International Financial Reporting Standards involves the management's use of estimates, judgments and assumptions that affect the application of accounting policies, as well as the reported value of assets, liabilities, income and expenses. Judgments and assumptions associated with these estimates are based on historical experience and on other factors deemed reasonable considering these estimates. The results of these estimates form the basis for judgments related to accounting values of assets and liabilities that cannot be obtained from other sources of information. The results obtained can differ from these estimates.

Judgments and the assumptions are regularly reviewed by the Company. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revisions affect only that period, or in the period in which the estimates are revised and future periods if the revisions affect both the current period and future periods.

(f) Going concern

The financial statements are prepared on a going concern basis which assumes the Company will continue to operate in the foreseeable future.

3. Significant accounting policies

The accounting policies have been applied consistently to all the periods presented in the individual financial statements prepared by the Company.

(a) Transactions in foreign currency

Operations denominated in foreign currency are recorded in lei at the official exchange rate at the settlement date of transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated into the functional currency at the exchange rate of the day.
Gains or losses from their settlement and conversion using the exchange rate at year-end of monetary assets and liabilities denominated in foreign currency are recognized in the statement of comprehensive income.

The exchange rates of the main foreign currencies were:

Currency	31 December 2018	31 December 2017	Variation
Euro (EUR)	4,6639	4,6597	+ 0,09%
US Dollar (USD)	4,0736	3,8915	+4,68%

(b) Accounting for the hyperinflation effect

Under IAS 29, „Financial reporting in hyperinflationary economy", the financial statements of an entity whose functional currency is the currency of a hyperinflationary economy should be presented in the measuring current unit at the balance sheet date (non-monetary items are restated using a general price index from the date of purchase or contribution).

Under IAS 29, an economy is considered hyperinflationary if, among other factors, the cumulative inflation rate over a period of three years exceeds 100%.

Continued decline in inflation and other factors related to the characteristics of the economic environment in Romania indicate that the economy whose functional currency was adopted by the Company ceased to be hyperinflationary with effect for financial periods starting with 1 January 2004. Therefore, the provisions of IAS 29 were adopted in the preparation of the financial statements until 31 December 2003.

Land and buildings are stated at the amounts from revaluation at 31 December 2015 and 31 December 2018. The most recent revaluation was performed at 31 December 2018.

(c) Financial assets and liabilities

(i) Classification

The Company classifies financial instruments held in the following categories:
Classification from 1 January 2018
The Company adopted IFRS 9 "Financial Instruments" with the date of initial application 1 January 2018.
This Standard supersedes the provisions of IAS 39 Financial Instruments: Recognition and Measurement on classification and valuation of financial assets and replaces the model for estimating adjustments for impairment of financial assets with an expected loss-based model.
IFRS 9 contains a new approach to the classification and measurement of financial assets that reflects the business model in which assets and cash flow characteristics are managed.
IFRS 9 includes three main categories of financial asset classification: measured at amortized cost, measured at fair value through other comprehensive income and measured at fair value through profit or loss.

3. Significant accounting policies (continued)

(c) Financial assets and liabilities (continued)
(i) Classification (continued)
Financial assets measured at amortized cost
A financial asset is measured at *amortized cost* if it meets both of the conditions below and is not designated as at fair value through profit or loss:
- is owned within a business model whose purpose is to keep assets for the collection of contractual cash flows; and
- its contractual conditions generate, at certain dates, cash flows that are only principal payments and interest on the principal due.

At the date of transition, financial assets held by the Company, except for financial assets held at fair value through profit or loss, were classified in this category.

Financial assets at fair value through other items of comprehensive income

A financial asset is measured *at fair value through other comprehensive income* only if it meets both of the following conditions and is not designated at fair value through profit or loss:
- is owned within a business model the objective of which is achieved both by collecting contractual cash flows and by selling financial assets; and
- its contractual conditions generate, at certain dates, cash flows that represent only principal payments and interest on the principal due.

Upon the initial recognition of an investment in equity instruments that are not held for trading, the Company may irrevocably choose to make subsequent changes in fair value in other comprehensive income. These options apply to each instrument, as appropriate.

At 31 December 2018 the Company does not hold financial assets classified in this category.

Financial assets at fair value through profit or loss
All financial assets that are not classified at amortized cost or at fair value through other comprehensive income, as described above, will be measured at fair value through profit or loss. In addition, upon initial recognition, the Company may irrevocably designate that a financial asset that otherwise meets the requirements to be measured at amortized cost or fair value through other comprehensive income is measured at fair value through profit or loss, if this eliminates or significantly reduces an accounting mismatch that would otherwise arise if it were otherwise.

The Company owns financial assets classified in this category as described in the Note 15 a).
The new standard (IFRS 9) eliminates the categories in IAS 39 of held-to-maturity investments, loans and receivables and assets available for sale.

Classification until 31 December 2017
Financial assets and liabilities at fair value through profit or loss

This category includes financial assets or financial liabilities held for trading and financial instruments classified at fair value through profit or loss on initial recognition. An asset or financial liability is classified in this category if acquired principally for the speculative purpose or has been designated in this category by the Company's management.

3. Significant accounting policies (continued)

(c) Financial assets and liabilities (continued)

(i) Classification (continued)

Investments held to maturity

Investments held to maturity are those non-derivative financial assets with fixed or determinable payments and fixed maturity which the Company has the ferm intention and ability to hold to maturity. Investments held to maturity are measured at amortized cost through the effective interest method, less impairment losses.

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 those that the Company intends to sell immediately or in the near future.

Financial assets available for sale

Financial assets available for sale are those financial assets that are not classified as loans and receivables, financial assets held to maturity or financial assets at fair value through profit or loss.

At 31 December 2017 the Company did not hold financial assets classified in this category

(ii) Recognition

Financial assets and financial liabilities are recognized on the date on which the Company becomes party to the contractual terms of the respective instrument. Financial assets and liabilities are measured at initial recognition at fair value.

(iii) Valuation

Valuation at amortized cost

The amortized cost of a financial asset or liability is the amount at which that asset or financial liability is measured after initial recognition, less principal payments, plus or minus the accumulated depreciation to date, using the effective interest method, less reductions related to impairment losses.

Valuation at fair value

The fair value is the price that would be received to sell an asset or paid to settle a liability in a transaction carried out under normal conditions between participants on the main market (the market with the highest turnover and activity level) or if no principal market, on the most advantageous market in which the company has access to on that date. The fair value of a liability reflects the risk of non-compliance (non-performing risk).

When available, the Company measures the fair value of an instrument using the price quoted on an active market for that instrument. A market is considered active if transactions with the asset or liability are at a sufficient frequency and volume to constantly provide price information.

If there is no quoted price in an active market, the Company uses valuation techniques that maximize the use of relevant observable input data and minimize the use of unobservable input data. The chosen evaluation technique incorporates all the factors that market participants would consider when determining the price of a transaction.

3. Significant accounting policies (continued)

(c) Financial assets and liabilities (continued)

(iii) Valuation (continued)

Valuation at fair value (continued)

The best proof of the fair value of a financial instrument at initial recognition is the transaction price - the fair value of the consideration received or given. If the Company determines that the fair value at the initial recognition differs from the transaction price and the fair value is obvious either by the existence of an active market quotation for a similar asset or liability or by a valuation technique based on observable market entry, that instrument is initially measured at fair value. Subsequently, the difference between the fair value and the trading price is depreciated in profit or loss, over the life of the financial instrument.

Financial assets and long positions are measured at the purchase price (bid). Debt and short positions are measured at the sale price (ask). When the Company has risk positions that can be covered, average market prices can be used to measure the risk position, and adjustments to sale or purchase prices are applied only to open net positions.

The Company recognizes the transfer between fair value hierarchy levels at the end of the reporting period in which the transfer took place.

Available-for-sale financial assets for which there is no active market and for which a fair value determination can not be reliably measured, are measured at cost and are periodically tested for impairment.

(iv) Impairment identification and valuation of expected credit losses

Financial assets measured at amortized cost starting with 1 January 2018

IFRS 9 replaces the incurred loss model in IAS 39 with the expected loss model. The expected credit loss is the difference between all contractual cash flows that are owed to the Company and the present value of all cash flows that the Company expects to receive, using the original effective interest rate

A financial asset or group of financial assets is impaired as a result of credit risk in the event that one or more events occured that have a negative impact on the estimated future cash flows of the assets.

The Company assesses whether the credit risk for a financial asset has increased significantly from initial recognition on the basis of information available without cost or undue effort, which is an indicator of significant credit risk increases since initial recognition.

The Company recognizes in profit or loss the amount of changes in expected loss of credit over the life of the financial assets as impairment gain or loss.

Gains or losses from impairment are determined as the difference between the carrying amount of the financial asset and the present value of future cash flows using the effective interest rate of the financial asset at its original date.

The Company recognizes favorable changes in expected credit losses during the entire lifetime as an impairment gain, even if the expected credit loss during its lifetime is less than the amount of expected credit loss that was included in the cash flows estimated at the initial recognition.

3. Significant accounting policies (continued)

(c) Financial assets and liabilities (continued)
(iv) Impairment identification and valuation of expected credit losses (continued)

Financial assets measured at amortized cost until 31 December 2017

On conclusion of each financial exercise, the Company examines whether there is any indication that a financial asset or group of financial assets is impaired. A financial asset or group of financial assets is impaired if and only if there is objective evidence of impairment arising as a result of one or more events that occurred after the initial recognition of the asset ("loss event") and loss event or events have an impact on future cash flows of the financial asset or group of financial assets that can be reliably estimated.

If there is objective evidence that there has been an impairment loss on investments held to maturity or on loans and receivables registered at amortized cost, the loss is measured as the difference between the asset's carrying amount and the present value of future cash flows using the effective interest rate of the financial asset at initial moment.

If a loan, receivable or investment held to maturity has a variable interest rate, the discount rate for measuring any loss of impairment is the current variable interest rate specified in the contract. The carrying amount of the asset is reduced through use of an adjustment account for impairment. The value of the depreciation expense is recognized in profit or loss.

If, in a subsequent period, an event that occurred after the recognition of impairment determines the reduction of the impairment loss, the previously recognized impairment loss is reversed either directly or through the use of a depreciation adjustment account. The reduction of the impairment loss is recognized in profit or loss.

Financial assets available for sale until 31 December 2017

In the case of financial assets available for sale, when a decline in the fair value of a financial asset available for sale was recognized directly in equity and there is objective evidence that the asset is impaired, the cumulative loss that has been recognized directly in equity will resume in equity accounts and will be recognized in the profit or loss and other comprehensive income even though the financial asset has not been derecognised.

Impairment losses recognized in profit or loss related to certain equity instrument classified as available for sale can not be reversed in profit or loss. If, in a subsequent period, the fair value of an impaired equity increases, the recovery is recognized directly in other comprehensive income.

If there is objective evidence of an impairment loss on an unlisted participation which is not presented at fair value because the fair value can not be reliably measured, or on a derivative asset that is linked or is to be settled by such an unlisted equity instrument, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of future cash flows using current internal rate of return for the market of a similar financial asset. These impairment losses are not reversed in profit or loss.

To determine whether an asset is impaired, the Company takes into account the loss-relevant events, such as significant long-term decline in fair value below cost; market conditions and industry, to the extent that they influence the recoverable amount of the asset; financial conditions and near-term prospects of the issuer, including any specific adverse events that may influence the operations of the issuer, the issuer recent losses, qualified independent auditor's report on the most recent financial statements of the issuer, etc.

3. Significant accounting policies (continued)

(c) Financial assets and liabilities (continued)
(iv) Impairment identification and valuation of expected credit losses (continued)

Financial assets available for sale until 31 December 2017 (continued)

The value of the cumulative loss that is resumed from equity items in profit or loss will be the difference between the acquisition cost (net of principal repayments and depreciation) and current fair value, less any impairment loss on that financial asset previously recognized in profit or loss.

Given the inherent limitations of the methodologies applied and the significant uncertainty of assets of international and local markets, the Company's estimates may be revised significantly following the date of approval of the financial statements.

(v) Derecognition

The Company derecognizes a financial asset when the rights to receive cash flows from that financial asset expire or when the Company has transferred the rights to receive the contractual cash flows related to that financial asset in a transaction in which it substantially transferred all the risks and rewards related to the ownership. Also, the Company fully derecognizes the financial assets when it does not have reasonable estimates of thr recovery of the contractual cash flows.

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

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

(d) Other financial assets and liabilities

Other financial assets and liabilities are measured at amortized cost using the effective interest method, less any impairment losses

3. Significant accounting policies (continued)

(e) Tangible assets

(i) Recognition and valuation

Tangible assets recognized as assets are initially valued at cost. The cost of a tangible assets item comprises the purchase price, including non-recoverable taxes, after deducting any commercial discounts and any costs directly attributable to bringing the asset to the location and conditions necessary for it to be used for the purpose intended by the management, such as: staff costs arising directly from the construction or acquisition of assets, the costs of site preparation, initial delivery and handling costs, installation and assembly costs, professional fees.

Tangible assets are classified by the Company in the following asset classes of the same nature and similar use:

- Land;
- Constructions;
- Equipment, technical equipment and machinery;
- Vehicles;
- Other tangible assets.

Land and constructions are stated at revalued amount, this being the fair value at the date of the revaluation less any subsequent accumulated depreciation and any accumulated impairment losses.

The other tangible assets are stated at cost less any accumulated depreciation and any accumulated impairment losses if they were recognized after the date of 31 December 2003 respectively the at the inflated value of the cost or depreciation until 31 December 2003 (if the assets were acquired before that date) less any accumulated depreciation and any accumulated impairment losses after 31 December 2003.

Fair value is based on market price quotations adjusted, if necessary, to reflect differences in the nature, location or conditions of that asset.

Revaluations are performed by specialized assessors, members of ANEVAR. The frequency of the revaluations is dictated by market dynamics for the land and constructions owned by the Company.

The expenditures with the maintenance and repairs of tangible assets are recorded in the statement of comprehensive income when incurred, while significant improvements to tangible assets, which increase the value or duration of their life, or which increase their capacity to generate economic benefits, are capitalized.

(ii) Depreciation

Depreciation is calculated using the straight-line method over the estimated useful life of the assets as follows:

Constructions	40-50 years
Equipment	2-12 years
Vehicles	4-8 years
Furniture and other tangible assets	4-12 years

Land is not object to depreciation.

Depreciation methods, useful life durations and estimated residual values are reviewed by the Company's management at each reporting date.

(iii) Sale/scrapping of tangible assets

Tangible assets that are scrapped or sold are removed from the balance sheet along with the corresponding accumulated depreciation. Any profit or loss resulting from such operations is included in the current profit or loss.

3. Significant accounting policies (continued)

(f) Intangible assets

((i) Recognition and valuation
The intangible assets acquired by the Company, which have a determined useful life duration are stated at cost less cumulated depreciation and less cumulated impairment losses.

(ii) Subsequent expenses
The subsequent expenses are capitalized only when these lead to an increase in the value of future economic benefits incorporated in the asset to whom these expenses are destined to. All the other expenses, including the expenses for goodwill and brands are recognized in profit or loss as they are incurred.

(iii) Depreciation of intangible assets

Depreciation is calculated at the asset's cost less its residual value.

The depreciation is recognized in profit or loss using the straight-line method over the estimated useful life of the intangible assets, other than goodwill and brands, from the date they are ready to use. The estimated useful life durations for the current period are the following:

- software 3 years.

The depreciation methods, useful life durations and residual values are revised at the end of each financial year and revised, if necessary.

(g) Inventories

Inventories are valued at the lower of cost and net realizable value. The cost of inventories is based on the average price method and includes the expenses related to the acquisition of inventories, the production or processing costs and other costs supported to bring the inventories in the current form and location.

The net realizable value is the sale price estimated across the normal business course, less the estimated cost for completion and the necessary costs to make the sale.

(h) Impairment of non-financial assets

The carrying amount of the Company's assets that are not financial, other than deferred tax assets, are revised at each reporting date to identify the existence of indications of impairment. If such indication exists, the recoverable amount is estimated for the respective assets.

An impairment loss is recognized when the carrying amount of the asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable group that generates cash independently of other assets and other groups of assets. Impairment losses are recognized in the statement of comprehensive income.

The recoverable amount of an asset or cash-generating unit is the maximum of its value in use and its fair value less costs to sell the asset or unit. To determine value in use, future cash flows are discounted using a pre-tax discount rate that reflects current market conditions and risks specific to the asset.

Impairment losses recognized in prior periods are assessed at each reporting date to determine whether they decreased or no longer exist. The impairment loss shall be resumed if there was a change in the estimates used to determine the recoverable amount. An impairment loss resumed only if the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation and amortization, if no impairment loss had been recognized.

3. Significant accounting policies (continued)

(i) Dividends to be distributed

Dividends are treated as a profit distribution in the period they were declared and approved by the General Shareholders Meeting. The dividends declared before the reporting date are registered as liabilities at the reporting date.

(j) Revaluation reserves

Revaluations are carried out with sufficient regularity so that the carrying amount does not substantially differ from the value which would be determined using the fair value at the balance sheet date. In this regard, the Company performed revaluations of tangible assets (land and constructions) with independent assessors at 31 December 2018.

Revaluations are carried out with sufficient regularity so that the carrying amount does not substantially differ from the value which would be determined using the fair value at the balance sheet date. In this regard, the Company performed revaluations of tangible assets with assessors as of 31 December 2015.

The difference between the value resulting from revaluation and the net carrying amount of tangible assets is stated in the revaluation reserve, as a distinct sub-element within equity.

If the revaluation result is an increase of the carrying amount, then it is treated as follows: as an increase in the revaluation reserve stated in equity if there was not a decrease previously recognized as an expense for the same asset or as income to compensate the expense with the decrease previously recognized for that asset.

If the revaluation result is a decrease below the net carrying amount, it is treated as an expense equal to the full amount of the impairment when in the revaluation reserve there is not recorded an amount related to that asset (revaluation surplus) or as a decrease in revaluation reserve to the lower of that reserve amount and the value of the decrease, and the potential not-covered difference is recorded as an expense.

The revaluation surplus included in the revaluation reserve is transferred to retained earnings when this surplus represents a realized gain. The gain is deemed realized as the asset for which the revaluation reserve was constituted is depreciated, respectively at its removal if it has not been completely depreciated. No part of the revaluation reserve may be distributed, directly or indirectly, except where revalued asset was sold, in which case the revaluation surplus is the gain actually realized.

(k) Legal reserves

Legal reserves are constituted as 5% of the gross profit at the end of the year, until the legal reserves amount to 20% of the nominal paid-up share capital, according to legal provisions. These reserves are tax deductible and are only distributed at the liquidation of the Company.

(l) Provisions for risks and expenses

Provisions are recognized in the statement of financial position when the Company acquires the obligation related to a past event and in the future it is likely to be required to a consumption of economic resources to extinguish this obligation and a reasonable estimate of the obligation can be made. To determine the provision, future cash flows are discounted using a pre-tax discount rate that reflects current market conditions and risks specific to the liability.

(m) Related parties

The parties are considered to be related with the Company in case one of the parties has the possibility to directly or indirectly control the other party or can influence significantly the other party through its holding or based on contractual rights, familial or other relationship, as defined by IAS 24 „Presentation of information regarding related parties”.

3. Significant accounting policies (continued)

(n) Employees benefits

(i) Short term benefits

Obligations with short-term benefits granted to employees are not updated and are recognized in the statement of profit or loss and other comprehensive income as the services are provided.

Short-term employee benefits, in 2018, include salaries, bonuses, and in 2017 salaries, bonuses and social security contributions. Short-term employee benefits are recognized as an expense when services are rendered. The Company recognizes a provision for the amounts expected to be paid as cash bonuses or employee benefit schemes, while the company currently has a legal or constructive obligation to pay those amounts as a result of past service rendered by employees and whether that obligation can be estimated reliably

(ii) Defined contribution plans

All the Company's employees are insured and have the legal obligation to contribute (through social contributions) to the Romanian State pension system (a State defined contribution plan).

In 2018, the Company retains, declares and pays on behalf of its employees the contribution to social security and the contribution to health insurance according to the provisions of the Fiscal Code modified by GEO no.79 / 2017.

Until 31 December 2017, the Company made payments on behalf of its employees to the Romanian State pension system, health insurance and unemployment fund, in the normal course of business.

The Company is not engaged in any independent pension scheme and consequently, has no other obligations in this regard. The Company is not engaged in any other post-retirement benefit system. The Company has no obligation to provide further services to current or former employees.

(iii) Long term employees benefits

The Company's net obligation in respect of services related to long-term benefits is the amount of future benefits that employees have earned in return for services rendered by them in the current and prior periods.

The Company has no obligation to grant benefits to employees at the retirement date.

(o) Revenues

(i) Sale of goods

Revenue for goods sold during the current activities are measured at fair value of the amounts received or receivable, less returns, trade discounts and rebates for volume. Revenues are recognized when there is persuasive evidence, usually in the form of an executed sales contract and the risks and benefits resulting from the ownership of goods are transferred substantially to the buyer, the recovery of the amounts is probable, the costs and potential returns of goods can be credibly estimated, the entity is no longer involved in the managing the goods sold and the revenues amount can be measured reliably. If it is likely for certain discounts or rebates to be granted and their value can be measured reliably, then they are recognized as a reduction of revenue as the sales are recognized.

(ii) Services rendering

Revenues from rendering of services are recorded as they are made. Services also include the execution of works and other operations cannot be treated as goods delivered.

The stage of completion of the works is determined based on statements accompanying invoices, records of acceptance or other evidence on the stage of completion of the services.

3. Significant accounting policies (continued)

(p) Financial revenues and expenses

Financial revenues include interest revenues related to invested amounts. Interest revenues are recognized in profit or loss based on the effective interest method.

The gains and losses from the differences of the exchange rate related to financial assets and liabilities are reported on a net basis, either as financial revenue or financial expense, based on FX fluctuations: net gain or net loss.

(q) Current and deferred tax

Starting with 2017, the Company applies the provisions of the Law no.170/2016 on the specific tax to certain activities, with derogation from Title II of the Fiscal Code. For the other types of activities, which are not subject to the specific tax, the Company owes income tax according to art. 10 paragraph (1) of Law no. 170/2016 and art. 9 of the Order of the Minister of Tourism and the Minister of Public Finance no. 264/14.03.2017 / 464/17.03.2017 for the approval of the Methodological Norms for the application of Law no. 170/2017. In the years 2017-2018 both specific tax and current income tax were calculated.

The deferred tax is recognized in the statement of comprehensive income or in other comprehensive income if the tax is attributable to equity elements. As of 31 December 2017 no deferred tax was determined for revaluation reserves tangible fixed assets in accordance with IAS 12, paragraph 20 (a), because the entity does not intend to divest the property where it carries out the tourism activity that is subject to the specific tax and to carry out economic activities that can generate insignificant income that is subject to corporate income tax. The fiscal result is also determined by financial revenues and expenses. In the financial year 2018, the tax result is a loss determined by the net loss from the revaluation of financial assets at fair value through profit or loss (Note 11, 12 and 15 a).

For the financial year ended 31 December 2018, the corporate tax rate was 16% (31 December 2017: 16%).

The deferred tax for the financial year ended 31 December 2017 was determined by the Company using the balance sheet method for those temporary differences that arise between the tax base for the calculation of the tax on assets and liabilities and their carrying amount used for reporting in the financial statements.

Deferred tax was calculated based on the tax rates that are expected to be applicable to temporary differences upon their resumption, based on the legislation in force at the reporting date. Deferred tax assets and liabilities are offset only if there is a legal right to offset current tax liabilities and receivables with tax and whether they are related to the tax collected by the same tax authority for the same taxable entity or for different tax authorities but wanting to settle current tax receivables and liabilities using a net basis, or the related assets and liabilities will be realized simultaneously

At the end of the financial year 2018, from the analysis of the elements of temporary differences, it was found that they are not related to other possible economic activities, other than those falling under the provisions of Law no. 170/2016. Consequently, at 31 December 2018, the Company does not have any liabilities/receivables related to the deferred tax.

(r) Earnings per share

The Company presents basic earnings per share and diluted for ordinary shares. Basic earnings per share is determined by dividing profit or loss attributable to ordinary equity shareholders by the Company's weighted average number of ordinary shares outstanding over the reporting period. Diluted earnings per share is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares with dilution effects arising from potential ordinary shares

3. Significant accounting policies (continued)

(s) Subsequent events

Events occurred after the financial year are those events favorable and unfavorable, that occur between the end of the financial year and the date the financial statements are authorized for issue.

Subsequent events that provide additional information about the Company's position to the date of ending the financial year (adjusting events) are reflected in the financial statements.

Events after the financial year that require no adjustments are shown in the notes, when considered significant.

(ș) Activity segments

An activity segment is the component of an entity:

a) which is engaged in business activities that could obtain revenues and could incur expenses;
b) whose results of the activities are regularly examined by the main decision factor from the entity, in order to make decisions regarding the allocated resources for the segment and the evaluation of its performance, and
c) for which separate financial information is available

An entity shall separately report information about an activity segment that respects any of the following quantitative criteria:

a) its reported revenues, including: revenues from external clients and sales or transfers between segments represent 10% or more of the combined revenues, internal and external, of all activity segments;
b) the absolute value of its reported profit or loss is 10% or the higher, in absolute value, of (i) the combined profit reported for all activity segments that did not report a loss and (ii) the combined loss for all activity segments that reported a loss;
c) its assets represent 10% or more of the combined assets of all activity segments.

The Company's activity is hotel services. All the revenues from accommodation, conference rooms rental, SPA services, catering, realized in the same location do not constitute activity segments in accordance with IFRS 8.

(t) Standards and interpretations that are not yet in force

A number of new standards, amendments and interpretations of standards are not yet in force at the time of individual financial statements and have not been applied in the preparation of these financial statements:

(i) IFRS 16 Leases (effective date: annual periods beginning on or after 1 January 2019)

This Standard supersedes the provisions of IAS 17 "Leases" and related interpretations and eliminates the current accounting model for tenants, most leasing contracts are recognized in a single model, eliminating the distinction between operating and financial leases.

In accordance with IFRS 16, a contract is or contains a lease if it transfers the right to control the use of an identified asset for a period of time in exchange for consideration. For this type of contract, the new model requires a lessee to recognize an asset with the right to use the underlying asset and a lease liability. The asset with the right of use is depreciated and the liability accrues interest. This will result in a model of recognition of a greater expense at the start of contracts for most leases, even when the lessee pays constant annual rents.

3. Significant accounting policies (continued)

(t) Standards and interpretations that are not yet in force (continued)

(i) IFRS 16 Leases (effective date: annual periods beginning on or after 1 January 2019) (continued)

The new standard introduces a series of exemptions to the application for users, including:

- leases with a lease term of 12 months or less and containing no purchase options, and
- leases where the underlying asset has a low value.

The lessor's accounting will remain largely unaffected by the introduction of the new standard, and the distinction between operating and finance leases will be retained.

(ii) IFRIC 23 Uncertainty about the treatment of corporate income tax (effective date: annual periods beginning on or after 1 January 2019)

IFRIC 23 clarifies the accounting for corporate income tax treatment that has not yet been accepted by the tax authorities while at the same time increasing transparency. Under IFRIC 23, the key test is whether the tax authority is likely to accept the Company's tax treatment. If the tax authorities are likely to accept the uncertain tax treatment, then the tax amounts recorded in the financial statements are consistent with the tax return, without any uncertainty reflected in the current and deferred tax assessment. Otherwise, the fiscal result (or tax loss), tax basis and unused tax losses are determined in a way that predicts the uncertainty by using either the most probable single value or the expected value (probabilistic weighted amount). The company must assume that the tax authority will examine the position and will be fully aware of all relevant information.

The Company does not expect Interpretation to have a material impact on the financial statements as it does not have significant uncertain tax positions.

(iii) Amendments to IFRS 9: Advance payments with negative compensation (effective: annual periods beginning on 1 January 2019)

These amendments address the concerns about accounting for financial assets that include specific early-payment options. In particular, the concern was related to how a company would classify and measure a debt instrument if the borrower would be allowed to pay the instrument in advance at a lower amount than the unpaid principal and the interest owed. Such a prepayment amount is often described as including "negative compensation".

The Company does not consider that these amendments will have a material effect on the individual financial statements.

4. Accounting estimates and judgments

The Management discussed the development, selection, presentation and application of significant accounting policies and estimates. All these are approved at the meetings of the Board of Administrators.

These presentations complete the information on financial risk management (see Note 25). Significant accounting judgments on applying the Company's accounting policies include:

Key sources of uncertainty of estimation

Adjustments for the impairment of assets valued at amortized cost/ loans and receivables

Assets registered at amortized cost are valued for impairment according to the accounting policy described in Note 3 (c) (iv).

Assessment for impairment of receivables is made on an individual level and is based on management's best estimate of the present value of cash flows expected to be received. To estimate these flows, the management makes certain estimates related to the financial position of the counterparty. Each impaired asset is individually analyzed. Accuracy of the adjustments depends on estimates of future cash flows for specific counterparties.

Determining the fair value of financial instruments

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques in accounting policy described in Note 3(e)(v). For financial instruments rarely traded and for which there is no price transparency, fair value is less objective and is determined using various levels of estimates of the degree of liquidity, the concentration, uncertainty of market factors, assumptions of price and other risks affecting the respective financial instrument.

Fair value hierarchy

The Company uses the following hierarchy for fair value measurement methods:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (ie as prices) or indirectly (ie derived from prices)

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs). This category includes all instruments where the valuation technique includes items that are not based on observable and unobservable input parameters which can have a significant effect on the assessment instrument. This category includes instruments that are valued based on quoted prices for similar instruments but which are subject to adjustments based largely on unobservable data or estimates to reflect the difference between the two instruments.

The fair value of financial assets and liabilities that are traded in active markets are based on quoted market prices or the prices quoted by brokers. For all other financial instruments, the Company determines fair value by using valuation techniques. Valuation techniques include net present value and discounted cash flow models, comparison to similar instruments for which market observable prices exist and other valuation techniques. Assumptions and variables used in valuation techniques include interest rates without risk and reference rates, margins for credit risk and other premiums used in estimating discount rates, yields on bonds and equity, exchange rates, indices price of capital, volatilities and correlations predicted. The purpose of valuation techniques is to determine the fair value of financial instruments which reflect the price at the reporting date, the price that would be determined by objective conditions market participants.

4. Accounting estimates and judgments (continued)

Fair value hierarchy (continued)

31 December 2018

In Lei	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets at fair value through profit or loss			4.116.728	4.116.728

Following the adoption of IFRS 9, the fund units presented at Level 3 of the fair value hierarchy are the closed-end units classified in financial assets at fair value through profit or loss.

For the year ended 31 December 2018, the Company presented financial assets at fair value through profit or loss on level 3 of the fair value hierarchy the closed-end fund units amounting to 4.116.728 lei (Note 15 a)).

Under the fair value model for financial assets at fair value through profit or loss - fund units, a positive change of fair value of 10% leads to profit after tax increase of 345,805 lei at 31 December 2018, a negative change of 10% having an equal negative net impact.

Classification of financial assets and liabilities

The Company's accounting policies provide the basis for the classification of assets and liabilities, at the initial moment, in different accounting categories. Details regarding the classification of financial assets and liabilities are presented in Note 23.

Revaluation of tangible assets

Tangible assets such as land and buildings are subject to revaluation, and changes in fair value are recognized in other comprehensive income.

Measurment of fair value

On December 31, 2018, the Company's tangible assets were valued by an independent external valuer authorized by the National Association of Authorized Valuers in Romania ("ANEVAR"). Revaluations of land and buildings at 31 December 2018 were performed on the basis of the following methods, in accordance with the valuation principles and techniques contained in the ANEVAR Standards for valuation of assets:

- the comparison method for land;
- the revenue method, with an average capitalization rate of 10.3%, in conjunction with the cost method, for constructions.

Fair value hierarchy

Based on the input data used in the valuation technique, the fair value of tangible assets was classified at level 3 of the fair value hierarchy.

Valuation techniques

In direct comparisons, the sales or offers of properties similar to those valued were collected, analyzed, compared and adjusted, to identify similarities and differences between these properties. The prices of comparables were adjusted to warrant differences in the characteristics of the properties evaluated. The benchmarks used include property rights, financing and sales conditions, post-purchase costs, market conditions, location, physical characteristics, best use, and town-planning regulations.

4. Accounting estimates and judgments (continued)

Valuation techniques (continued)

Under the cost-based approach, the net replacement cost method was used, in view of the specialized character of certain buildings (hotel). Therefore, the net replacement cost was determined based on the price in the updated specialist catalogs, with update indices or on the basis of works estimates. The degree of wear was determined taking into account upgrades on finishings and installations, capital repairs and building development stages.

Tangible assets have been evaluated taking into account the best use of these assets. Based on the analysis of location information and property characteristics identified in the market analysis, it was found that generally the best use is the one available at the time of the valuation.

5 Revenues from touristic services

	2018	2017
Revenues from hotel services	3.619.349	3.191.429
Revenues from catering (restaurant, bar)	5.189.564	4.881.353
Revenues from SPA, playgrounds, various	123.199	73.058
Revenues from rental of conference rooms	198.675	114.726
Total	**9.130.787**	**8.260.566**

6 Third party expenses

	2018	2017
Third party expenses	739.743	672.465
Expenses with repairs and maintenance	476.332	454.814
Total	**1.216.075**	**1.127.279**

7 Personnel expenses

	2018	2017
Personnel expenses		
Salaries	2.572.985	1.877.712
Expenses with social security and social protection	95.276	537.954
Expenses with meal tickets	173.625	178.624
Total	**2.841.886**	**2.594.290**

The average number of employees in 2018 was of 77 (2017: 78), and the effective number of employees as of 31 December 2018 is of 76 (31 December 2017: 75).

The reduction in social security costs is due to legislative changes. Starting with 1 January 2018, the Fiscal Code adopted by Law no.227/2015 was amended by the Government Emergency Ordinance no.79/2017 regarding the social contributions (the contribution to the social security and the contribution to the social health insurance) which are supported only by the employees, the employer only supports the labor insurance contribution (2.25% share). In order to apply the legislative changes, the gross salary has increased accordingly.

8 Expenses with the depreciation and amortization of tangible assets

	2018	2017
Expenses with depreciation	510.263	468.537
	510.263	**468.537**

9 Other expenses

	2018	2017
Expenses with taxes and similar	431.957	360.153
Expenses with commissions and fees	129.055	106.182
Postal and telecommunications expenses	50.005	54.013
Marketing expenses	22.812	46.128
Expenses with bank services and similar	25.817	24.076
Expenses with insurance premiums	34.211	31.605
Operating expenses with provisions	19.501	237
Operating expenses with the adjustment for the impairment of current assets	3.652	37.102
Expenses with granted donations	30.500	24.500
Travel expenses	11.707	15.390
Expenses with compensations, fines and penalties	1.715	5.438
Expenses with royalties, management and rental locations	47.821	38.297
Total	**808.753**	**743.121**

10 Financial revenues

	2018	2017
Revenues from interest received	221.708	276.575
Revenues from FX differences	(13.114)	8.500
Revenues from discounts	37	(30)
Total	**208.631**	**285.046**

11 Net losses from the valuation of financial assets

	2018	2017
Net loss from the revaluation of financial assets at fair value through profit or loss (Note 15 a)	883.268	-
Total	**883.268**	**-**

12 Income tax expense

		2018	2017
a)	**Current income tax**		
	Expense with the current income tax		38.894
	Expenses with the specific tax	40.488	40.488
	Deferred income tax		
	Revenue from deferred income tax		(6.197)
	Expense from deferred income tax	4.271	
		4.271	**(6.197)**
	Total	**44.759**	**73.185**

b) Reconciliation of the effective tax rate:

	2018	2017
Income before tax	**-**	**323.816**
Tax according to the statutory rate of 16%	**-**	**51.811**
Effect on income tax		
Legal reserve		(2.591)
Fiscal depreciation		(30)
Non-deductible expenses		1.289
Non-taxable revenues		(11.213)
Items similar to revenues		949
Sponsorships		(1.321)
Temporary differences	4.271	(6.197)
Specific tax	40.488	40.488
Income tax	**44.759**	**73.185**
Fiscal loss to be recovered in the following years	**(610.880)**	**-**

c) Evolution of the deferred income tax

	31 December 2017	Impact in P&L account	Impact in reserves	31 December 2018
Deferred income tax - liability				
Prepayments related to the inflated cost for the land concession, during the period of concession	18.203	(18.203)		
	18.203	***(18.203)***	-	-
Deferred income tax - asset				
Adjustment for the impairment of trade receivables	(5.436)	5.436		
Adjustments for the impairment of various debtors	(802)	802		
Provisions for risks and expenses	(16.236)	16.236		
	(22.474)	***22.474***	-	-
Deferred tax, net	**(4.271)**	**4.271**	-	-

13 Earnings per share

	31 December 2018	31 December 2017
Profit attributable to ordinary shareholders	59.656	672.741
Weighted average number of ordinary shares	167.339.600	167.339.600
Basic earnings per share	**0,0004**	**0,004**

13 Cash and current accounts

	31 December 2018	31 December 2017
Current accounts	2.098.129	2.759.539
Cash	14.484	26.083
Other values	23.050	159
Total	**2.135.663**	**2.785.781**

The current accounts at banks are always at Company's disposal and are not restricted, except for the amount of 40.107 lei (2017: 33.246 Lei) representing personnel collateral.

14 Bank deposits

	31 December 2018	31 December 2017
Bank deposits with an initial maturity higher than 3 months and less than a year	5.908.957	10.075.000
Receivables attached	69.014	84.792
Total	**5.977.971**	**10.159.792**

i. Bank deposits at **31.12.2018**

Deposit account	Deposit value		Deposit period			Interest rate	Days until 31.12.18	Accumulated interest LEI
1	2			3		4	5	6
Libra Bank	500.000	LEI	02.04.2018	-	02.04.2019	2,00%	274	7.507
Libra Bank	500.000	LEI	02.04.2018	-	02.04.2019	2,00%	274	7.507
Libra Bank	500.000	LEI	02.04.2018	-	02.04.2019	2,00%	274	7.507
Libra Bank	500.000	LEI	05.04.2018	-	05.04.2019	2,00%	271	7.425
Libra Bank	500.000	LEI	05.04.2018	-	05.04.2019	2,00%	271	7.425
Garanti Bank	500.000	LEI	27.04.2018	-	30.04.2019	2,25%	249	7.675
Garanti Bank	500.000	LEI	27.04.2018	-	30.04.2019	2,25%	249	7.675
Garanti Bank	500.000	LEI	27.04.2018	-	30.04.2019	2,25%	249	7.675
Marfin Bank	500.000	LEI	28.06.2018	-	28.06.2019	3,00%	187	42
Marfin Bank	500.000	LEI	28.06.2018	-	28.06.2019	3,00%	187	42
Marfin Bank	500.000	LEI	30.04.2018	-	30.04.2019	2,30%	246	7.858
Marfin Bank	300.000	LEI	02.07.2018	-	02.07.2019	3,00%	183	675
Marfin Bank	26.747	USD	29.05.2018	-	29.05.2019	1,20%	217	4
Total depozite LEI	***5.908.957***							***69.014***

14 Bank deposits (continued)

ii. Bank deposits at **31.12.2017**

Deposit account	Deposit value		Deposit period			Interest rate	Days until 31.12.17	Accumulated interest LEI
1	**2**			**3**		**4**	**5**	**6**
Libra Bank	1.000.000	LEI	16.06.2017	-	18.06.2018	1,90%	199	10.359,90
Libra Bank	1.500.000	LEI	31.03.2017	-	30.03.2018	1,95%	276	22.117,81
Libra Bank	1.000.000	LEI	05.04.2017	-	05.04.2018	1,95%	271	14.478,08
Garanti Bank	1.000.000	LEI	27.04.2017	-	27.04.2018	1,35%	249	9.209,59
Garanti Bank	575.000	LEI	27.04.2017	-	27.04.2018	1,35%	249	5.295,51
Garanti Bank	1.000.000	LEI	27.04.2017	-	27.04.2018	1,35%	249	9.209,59
Marfin Bank	500.000	LEI	13.09.2017	-	13.09.2018	1,80%	19	475,00
Marfin Bank	500.000	LEI	13.09.2017	-	13.09.2018	1,80%	19	475,00
Marfin Bank	1.000.000	LEI	13.09.2017	-	13.09.2018	1,80%	19	950,00
Marfin Bank	1.000.000	LEI	13.09.2017	-	13.09.2018	2,00%	19	6.111,11
Marfin Bank	1.000.000	LEI	13.09.2017	-	13.09.2018	2,00%	19	6.111,11
Total depozite LEI	***10.075.000***							***84.791,70***

15 Financial assets

a) Financial assets at fair value through profit or loss

At 31 December 2018, the Company owns fund units valued at fair value (cost: 4.999.996 lei) to Fondul Inchis de Investitii Star Value, managed by SAI Star Asset Management. Units held are valued at the unit value of the net asset (VUAN), calculated by the fund manager using closing prices for the fund's financial instruments. The differences in the fair value measurement of the fund units held determined a net loss of 883.268 lei (Note 11).

Closed-end fund FII Star Value	31 December 2018	31 December 2017
Fair value	4.116.728	-
Total	**4.116.728**	**-**

	31 December 2018
Number of fund units	4.691,00

b) Financial assets valued at amortized cost / Loans and receivables

	31 December 2018	31 December 2017
Bonds	2.225.000	2.225.000
Receivables attached	3.616	4.756
Total	**2.228.616**	**2.229.756**

In 2015 the Company has acquired 890.000 bonds issued by Firos S.A, which are dematerialized, nominative and freely transferable, with a fixed yield. The acquisition value of the bonds was 2.225.000 lei, with a fixed interest rate of 4% per year. The maturity of the bonds is 36 months from the subscription date. The interest was calculated starting with the date of the payment of the bonds and was collected every 90 days from the date of subscription. These bonds have reached maturity in 2018..

Following the adoption of IFRS 9 on 1 January 2018, the bonds issued by FIROS S.A. were reclassified from the "Loans and receivables" category to "Financial assets measured at amortized cost".

In 2018 the Company has acquired 890.000 bonds issued by Firos S.A, which are dematerialized, nominative and freely transferable, with a fixed yield. The acquisition value of the bonds was 2.225.000 lei, with a fixed interest rate of 4% per year. The maturity of the bonds is 36 months from the subscription date. These bonds are guaranteed by the issuer through the mortgage on a plot of land owned by the issuer, located in Bdul. Timisoara no.100T, Bucharest.

The value of the cumulated interest as of 31.12.2018 is 3.616 lei (31.12.2017: 4.756 lei).

FIROS S.A., headquartered in Bucharest, 100 Timisoara Blvd., sector 6, sole registration code 434492 is a subsidiary of SIF Muntenia. SIF Muntenia valued its subsidiary and the valued amount as of 31 December 2018 estimated by an independent valuer is of 43.692.108 lei (31 December 2017: 37.581.464 lei).

16 Other assets

	31 December 2018	31 December 2017
Inventories	186.415	193.393
Trade receivables (i)	393.711	463.493
Prepayments (ii)	156.313	159.357
Other receivables (iii)	258.245	77.424
Total	**994.684**	**893.667**

(i) Trade receivables	**31 December 2018**	**31 December 2017**
Clients	295.026	447.560
Adjustments for impairment of client receivables	(68.037)	(48.536)
Suppliers – debtors for services	166.723	64.469
Total	**393.711**	**463.493**

(ii) Prepayments	**31 December 2018**	**31 December 2017**
Concession of land – inflated cost	112.303	113.766
Value of concession of land – paid in advance	35.778	36.245
Miscellaneous	8.232	9.346
Total	**156.313**	**159.357**

(iii) Other receivables	**31 December 2018**	**31 December 2017**
Receivables from the State budget	110.588	14.721
Various debtors	114.251	65.218
Adjustments for the impairment of various debtors	(7.161)	(7.161)
Receivables for the deferred tax	-	4.271
Current income tax	40.100	-
Other receivables with personnel	217	125
Other financial assets	250	250
Total	**258.245**	**77.424**

* The Company is a founding member of the Association for Tourism Development – Gura Humorului, established in June 2009, in accordance with Government Ordinance no. 26/2000 regarding associations and foundations, with subsequent modifications and additions and with the Decree no. 31/1954, being founded by 26 founding members, with an initial patrimony of 6.800 lei, comprised of the partners' cash contributions. The contribution of the Company was of 250 LEI, representing 3.67% of the association's patrimony.

Casa de Bucovina – Club de Munte S.A.
Notes to the financial statements
For the financial year ended 31 December 2018

17. Tangible and intangible assets
A. Tangible assets

a) Evolution of tangible assets in the financial year 2018

in lei	**Land**	**Buildings**	**Technical equipment and vehicles**	**Other equipment, machinery and furniture**	**Tangible assets in progress**	**Total**
Gross book value						
31 decembrie 2017	**9.776.617**	**12.295.017**	**1.899.636**	**374.112**	**294.346**	**24.639.729**
Inflowi			153.629	121.655	193.620	**468.905**
Increase in revaluation through reserves	478.969	2.530.745				**3.009.714**
Increase in revaluation through profit or loss		61.238				**61.238**
Cancellation of cumulated depreciation		(1.087.119)				**(1.087.119)**
Outflow			(87.801)		(284.147)	**(371.948)**
31 decembrie 2018	**10.255.586**	**13.799.880**				
Cumulated depreciation						
31 decembrie 2017		**(724.746)**	**(1.557.786)**	**(290.045)**		**(2.572.577)**
Inflow		(362.373)	(107.041)	(31.897)		**(501.310)**
Reversal of cumulated depreciation		1.087.119				**1.087.119**
Outflow			87.801			**87.801**
31 decembrie 2018		**-**	**(1.577.027)**	**(321.941)**		**(1.898.967)**
Net book value						
31 decembrie 2017	**9.776.617**	**11.570.271**	**341.850**	**84.068**	**294.346**	**22.067.152**
31 decembrie 2018	**10.255.586**	**13.799.880**	**388.438**	**173.827**	**203.819**	**24.821.551**

b) Evolution of tangible assets in the financial year 2017

in lei	**Land**	**Buildings**	**Technical equipment and vehicles**	**Other equipment, machinery and furniture**	**Tangible assets in progress**	**Total**
Gross book value						
31 December 2016	**9.776.617**	**12.295.017**	**1.714.351**	**367.237**	**284.147**	**24.437.369**
Inflow			248.004	6.875	10.199	**265.077**
Reversal of cumulated depreciation						
Outflow			(62.718)			**(62.718)**
31 December 2017	**9.776.617**	**12.295.017**	**1.899.636**	**374.112**	**294.346**	**24.639.729**
Cumulated depreciation						
31 December 2016		**(362.373)**	**(1.553.336)**	**(258.783)**		**(2.174.492)**
Inflow		(362.373)	(67.168)	(31.262)		**(460.803)**
Reversal of cumulated depreciation						
Outflow			62.718			**62.718**
31 December 2017		**(724.746)**	**(1.557.786)**	**(290.045)**		**(2.572.577)**
Net book value						
31 December 2016	**9.776.617**	**11.932.128**	**161.531**	**108.454**	**284.147**	**22.262.877**
31 December 2017	**9.776.617**	**11.570.271**	**341.850**	**84.068**	**294.346**	**22.067.152**

17. Tangible and intangible assets (continued)
A. Tangible assets (continued)

c) The breakdown of revaluation reserves, as of 31.12.2018 compared with 31.12.2017, is the following:

Building/land	Value of revaluation reserves as of 31.12.2018 LEI	Value of revaluation reserves as of 31.12.2017 LEI
Hotel	5.066.358	2.939.611
Office headquarters	110.064	85.452
TISA hall	173.160	-
Arinis Inn	47.254	-
Arinis terrace	11.621	-
Trafo	29.779	-
River bank protection	31.873	-
Subtotal buildings	***5.470.110***	***3.025.063***
Lands Str. Sf. Mihail, Gura Humorului	112.810	108.979
Land 18, Republicii str., Gura Humorului	36.422	35.196
Land Arinis dendrologic park	698.663	676.565
Land Tisa, Gura Humorului	2.465	1.004
Lands Arinis dendrologic park	8.616.653	8.166.300
Subtotal land	***9.467.014***	***8.988.044***
TOTAL gross revaluation reserve	**14.937.123**	**12.013.107**

d) The value of **plots of land** held by the Company as of **31.12.2018** is the revalued amount at 31.12.2018, and as of **31.12.2017** is the revalued amount at 31.12.2015, determined by the independent valuer CMF Consulting S.R.L.

LEI

Land - Location / Property document	Area sqm	Value as of 31.12.2018	Value as of 31.12.2017
Str. Mihail, Gura Humorului, plot 370/2, CF 6501;Ctr. no. 2818/2000	687	128.164	124.333
Str. Republicii no. 18, Gura Humorului; contribution in kind AA 12/2004	220	41.042	39.816
Arinis dendrologic park; contribution in kind AA 2/1998	8.807	739.349	717.251
Gura Humorului Suceava county; Ctr. 266/02.02.2010	262	48.878	47.417
Arinis dendrologic park; contribution in kind AA 3/1999 and exchange contract 179/2005	162.678	9.298.153	8.847.800
TOTAL	**172.392**	**10.255.586**	**9.776.617**

Lands in concession, held by the Company as of 31.12.2018**:**

Land - Location / Property	Area sqm
Piata Republicii no. 18, Gura Humorului Concession ctr 5148/4.10.1996, with Gura Humorului City	3.488

17. Tangible and intangible assets (continued)
A. Tangible assets (continued)

e) The Company owned as of **31.12.2018 and 31.12.2017** the following **buildings** valued at revaluated value at 31.12.2018, respectively 31.12.2015, determined by the independent valuer CMF Consulting SRL:

	Address of the building	Acquisition/registration date	Value as of 31.12.18	Value as of 31.12.17
1	Hotel located in Gura Humorului, 4 Bucovinei Blvd, registered in FC 5337, with basement, mezzanine, ground floor and 8 floors, 130 rooms with an area or 1.550 sqm, constructed area of 1.394 sqm, with cadastral (topo) no. 261/25.	1. Contribution in kind to the share capital, unfinished building, AA 2/1998 2. Date of commissioning: 28.02.2003 3. Minutes of final acceptance no. 1/21.10.2005	11.765.886	10.392.959
5	Building on the ground floor of a block located in Gura Humorului, Bd. Bucovinei, Wing A-P no. 4 bl. 4, with area of 171 sqm, with cadastral number (topo) 261/26	10.09.1998; contribution in kind AA 2/1998;	144.353	127.871
6	TISA conference room	Minutes of commissioning no. 1/ 21.10.2005	1.105.259	997.711
7	Arinis Inn	Minutes of reception no. 543/11.07.2011	305.361	292.647
8	Special constructions (transformer station)	Transfer in 2014 from the account 2131	190.079	171.583
9	Special constructions (river bank protection)	Transfer in 2014 from the account 2131	206.975	202.879
10	Arinis terrace	Minutes of reception 08.2015	81.967	109.367
TOTAL			**13.799.880**	**12.295.017**

f) The carrying amount that would have been recognized if the assets, representing lands and buildings, were stated according to the **cost-based model (IAS 16.77 (e))** :

		LEI
	31 December 2018	**31 December 2017**
Land	790.322	790.322
Buildings	12.639.381	12.639.381
Total	**13.429.703**	**13.429.703**

17. Tangible and intangible assets (continued)
A. Tangible assets (continued)

g) Valuation techniques

The valuation report of tangible fixed assets (land and buildings) issued by the independent valuer CMF CONSULTING S.A. has as basis the Standards for the Valuation of Goods, the 2018 edition 2018, developed by National Association of Authorized Valuers in Romania ("ANEVAR"):

- **General standarda**: SEV 100 – *General Framework (IVS General Framework);* SEV 101 – *Terms of Reference for Valuation (IVS 101);* SEV 102 – *Implementation (IVS 102);* SEV 103 – *Reporting (IVS 103);* SEV 104 – *Types of value;*
- **Standards for assets:** SEV 230 – *Real estate rights (IVS 230);* GEV 630 – *Valuation of real estate;*
- **Standards for specific uses:** SEV 300 – *Valuation for financial reporting (IVS 300).*

Estimates of fair value have been made in accordance with the provisions of IFRS and the above-mentioned valuation standards.
For the valuation of buildings, the revenue method was used, with an average capitalization rate of 10.3%, corroborated with the cost method.
For the land valuation it was chosen to use the market approach, the direct comparison method.

h) Evolution of **tangible assets in progress** as of 31.12.2018:

LEI

Tangible assets in progress	Balance at 01.01.2018	Inputs	Receptions	Recognition in reported result	Balance at 31.12.2018
Roads, alleys, stairs, contribution in kind to share capital AA 2/1998, in Arinis (ct.231.2)	72.525			72.525	-
Assessment, design of Arinis (ct.231.33)	211.622			211.622	-
Arinis Inn, annex (ct.231.37)	10.199				10.199
TOTAL	**294.346**	**-**	**-**	**284.147**	**10.199**

B. Intangible assets

Other intangible assets amounting to **65.950 LEI** represent software licenses for the accounting software, for the software for invoice issue by the reception and various PC operation licenses. These intangible assets come from direct acquisitions. The Company does not own internally generated intangible assets.

Evolution of intangible assets in the financial year 2018

in lei	**Intangible assets**
Gross book value	
31 December 2017	**54.315**
Inflows	11.635
Outflows	-
31 December 2018	**65.950**
Cumulated depreciation	
31 December 2017	**38.916**
Inflows	8.952
Outflows	
31 December 2018	**47.869**
Net book value	
31 December 2017	**15.399**
31 December 2018	**18.081**

18 Trade payables

	31 December 2018	**31 December 2017**
Trade payables	360.580	372.421
Advance payments received	56.581	61.750
Total	**417.161**	**434.171**

19 Other liabilities

	31 December 2018	**31 December 2017**
Liabilities to the State budget	137.530	97.942
Creditors and other payables	133.297	122.740
Payables to employees	124.696	105.003
Subsidies for investments	4.983	6.283
Income tax payable	-	25.027
Provisions*	105.127	101.475
Total	**505.634**	**458.470**
TOTAL LIABILITIES	**922.795**	**892.641**

* The provisions as of 31.12.2017 are the following:
512 lei provision for bonuses to employees for the 2012 results, not granted;
100.963 lei provision for unused leave.
The provisions as of 31.12.2018 are the following:
512 lei provision for bonuses to employees for the 2012 results, not granted;
104.615 lei provision for unused leave.

20. Capital and reserves

a) Share capital

As of **31.12.2018** the Company's paid-up share capital is of **16.733.960 lei,** consisting of:

- contribution in kind: 2.352.620 lei ;
- cash contribution: 14.381.340 lei.

The share capital is divided in 167.339.600 shares, with a face value of 0,10 lei/share.

The National Securities Commission (NSC), now the Financial Supervisory Authority (ASF) has issued, on 23.03.2008 the certificate for the securities registration no. 3400, that certifies the registration of the common, nominative shares in number of 167.339.600, at the face value of 0.1 lei, in the FSA Register at the 3657 position, with the **BCM** ticker.

The shareholder register is held by DEPOZITARUL CENTRAL S.A.

The shareholding structure of the Company

31 December 2018	**Number of shares**	**Amount (LEI)**	**(%)**
SIF Muntenia S.A.	111.900.276	11.190.028	66,87
Legal entities	39.037.077	3.903.707	23,33
Individuals	16.402.247	1.640.225	9,80
Total	**167.339.600**	**16.733.960**	**100,00**

31 December 2017	**Number of shares**	**Amount (LEI)**	**(%)**
SIF Muntenia S.A.	111.900.276	11.190.028	66,87
Legal entities	38.489.993	3.848.99	23,00
Individuals	16.949.331	1.694.933	10,13
Total	**167.339.600**	**16.733.960**	**100,00**

Reconciliation of share capital

	31 December 2018	**31 December 2017**
Nominal share capital	16.733.960	16.733.960
Capital premium	4.885.965	4.885.965
Hyperinflation effect – IAS 29	10.267.175	10.267.175
Total share capital and capital premium	**31.887.100**	**31.887.100**

20. Capital and reserves (continued)

b) Reserves from the revaluation of tangible assets

These reserves account for the cumulative net modifications of the fair value of land and buildings.

The reserves from the revaluation of tangible assets are stated at the value net of deferred tax.

The breakdown of the revaluation reserves as of 31.12.2018 compared with 31.12.2017 is the following:

Building/land	**Value of revaluation reserves as of 31.12.2018 LEI**	**Value of revaluation reserves as of 31.12.2017 LEI**
Hotel	5.066.358	2.939.611
Office headquarters	110.064	85.452
TISA hall	173.160	-
Arinis Inn	47.254	-
Arinis terrace	11.621	-
Trafo	29.779	-
River bank protection	31.873	-
Subtotal buildings	***5.470.110***	***3.025.063***
Lands Str. Sf. Mihail, Gura Humorului	112.810	108.979
Land 18, Republicii str., Gura Humorului	36.422	35.196
Land Arinis dendrologic park	698.663	676.565
Land Tisa, Gura Humorului	2.465	1.004
Lands Arinis dendrologic park	8.616.653	8.166.300
Subtotal land	***9.467.014***	***8.988.044***
TOTAL gross revaluation reserve	**14.937.123**	**12.013.107**

c) Reported result

Item	**31 December 2018**	**31 December 2017**
Legal reserves (i)	502.313	497.306
Other reserves (ii)	1.654.349	1.654.349
Reported result	438.707	649.964
Reported result related to the adoption for the first time of IAS 29	(10.099.471)	(10.099.471)
Current result	55.385	672.741
Profit distribution	(5.007)	(16.191)
Total reported result	**(7.453.724)**	**(6.641.302)**

20. Capital and reserves (continued)

(i) Legal reserve

According to the legal provisions, the Company creates legal reserves in the amount of 5% of the registered gross profit, until the level of 20% of the share capital is reached. The value of the legal reserve as of 31 December 2018 is of 502.313 lei, and as of 31 December 2017 is of 497.306 lei.
The legal reserves cannot be distributed to shareholders.

(ii) Other reserves

Other reserves, amounting to 1.654.349 lei, as of 31 December 2017, are amounts allocated from the net profit for the financial years 2006-2010:

- 318.217 lei from the 2006 net profit, according to GSM decision no. 1/19.04.2007;
- 483.334 lei from the 2007 net profit, according to GSM decision no.2/25.04.2008;
- 616.690 lei from the 2008 net profit, according to GSM decision no.2/29.04.2009;
- 192.054 lei from the 2009 net profit, according to GSM decision no.2/22.04.2010;
- 44.054 lei from the 2010 net profit, according to GSM decision no.2/28.04.2011.

(iii) Dividends

The Ordinary Shareholders General Meeting (AGOA) on 20.04.2018 has approved the Board of Administrators proposal regarding the distribution of a dividend amounting to 0,0040 lei/acțiune, from the net profit realized in the year financial year 2017 and from the undistributed reported results for the financial years 2015 and 2016 (13.920 lei). The value of gross dividends registered as liability in 2018 was of 669.358 lei (2017: 568.955 lei).

21 Related parties

a) Key management personnel

	31 December 2018	31 December 2017
Members of the Board of Administrators	Trandafir Florica – President Tamas Ion Romica - Vice- President Constantin Mircea - Member Marin Liana – Member Chiribuca Dumitru Florin - Member	Trandafir Florica – President Tamas Ion Romica - Vice- President Constantin Mircea - Member Marin Liana – Member Chiribuca Dumitru Florin - Member

	31 December 2018	31 December 2017
Members of executive management	Tamas Ion Romica - General Manager Misiuc Livia – Economic Director Ghisovan Stefan – F&B Manager Prosciuc Doina – Sales Manager Simota Analaura-Iuliana – Accommodation Manager Sava Mihai – Technic Manager	Tamas Ion Romica - General Manager Misiuc Livia – Economic Director Ghisovan Stefan – F&B Manager Prosciuc Doina – Sales Manager Simota Analaura-Iuliana – Accommodation Manager Sava Mihai – Technic Manager

b) Share holdings of the Company's key management personnel

The number of shares owned by key management personnel is presented in the table below:

	31 December 2018	31 December 2017
Constantin Mircea	135.393	135.393
Marin Liana	100.000	100.000
Tamas Romica	99.000	99.000
Misiuc Livia	43.516	43.516
Prosciuc Doina	43.516	43.516
Simota Analaura-Iuliana	30.352	30.352
Sava Mihai	20.352	20.352
Ghisovan Stefan	1.406	1.406
Total	**473.535**	**473.535**

c) Transactions with the key management personnel:

	31 December 2018	31 December 2017
Salaries paid to management	435.880	328.075
Remunerations paid to the members of the Board of Administrators	51.360	42.480

The Company has not concluded pension commitments with former members of the Board of Administrators of with former managers and has not approved credits to the members of executive management of members of the Board of Administrators.

d) Transactions with related parties

The company has identified as a related party FIROS S.A., a subsidiary of the Company's majoritary shareholder, SIF Muntenia. The Company has acquired bonds issued by the related party FIROS S.A. (Note 15 b).

22. Commitments

The Company has no capital commitments as of 31 December 2018 and 31 December 2017.

23. Financial assets and liabilities

Accounting classifications and fair values

The table below summarizes the book values and the fair values of the Company's financial assets and liabilities as of 31 December 2018:

	Fair value through profit or loss	Amortized cost	Total book value	Fair value
Cash and cash equivalents		2.135.663	2.135.663	2.135.663
Deposits at banks		5.977.971	5.977.971	5.977.971
Financial assets at fair value through profit or loss	4.116.728		4.116.728	4.116.728
Financial assets at amortized cost		2.228.616	2.228.616	2.228.616
Other financial assets		994.684	994.684	994.684
Total financial assets	**4.116.728**	**11.336.934**	**15.453.662**	**15.453.662**
Trade payables and similar		417.161	417.161	417.161
Other financial liabilities		505.634	505.634	505.634
Total financial liabilities	**-**	**922.795**	**922.795**	**922.795**

The table below summarizes the book values and the fair values of the Company's financial assets and liabilities as of 31 December 2017:

	Amortized cost	Total book value	Fair value
Cash and cash equivalents	2.785.781	2.785.781	2.785.781
Deposits at banks	10.159.792	10.159.792	10.159.792
Financial assets at fair value through profit or loss	-	-	-
Financial assets at amortized cost	2.229.756	2.229.756	2.229.756
Other financial assets	893.667	893.667	893.667
Total financial assets	**16.068.996**	**16.068.996**	**16.068.996**
Trade payables and similar	434.171	434.171	434.171
Other financial liabilities	458.470	458.470	458.470
Total financial liabilities	**892.641**	**892.641**	**892.641**

For the estimation of the fair value of the financial assets and liabilities measured at amortized cost, the Company used the following estimations and made the following significant judgments: for the elements of cash and cash equivalents, of other assets and financial liabilities issued or held for very short terms and which in general do not carry interest or have a fixed interest rate, the Company has approximated their fair value as their cost; for loans and receivables the Company has used valuation methods as the discounted cash flows, using input data observable in the market (therefore, the valuation used Level 3 techniques).

24. Subsequent events

The Company has not identified subsequent events that influence the financial statements for the financial year 2018 nor the presentation in the Notes to the financial statements. The Company has not identified elements as those in accordance with IAS 1.125.

25. Financial risk management

Management of significant risks

The main risks the Company is exposed to are:

- Market risk (interest rate risk, currency risk and price risk);
- Credit risk;
- Liquidity risk;
- Risk related to taxation;
- Economic environment risk;
- Operational risk.

The overall risk management strategy seeks to maximize Company's profit reported to the level of risk to which it is exposed and minimize any potential adverse variations on the financial performance of the Company.
The company uses a variety of policies and procedures for the management and evaluation of the types of risk to which it is exposed. These policies and procedures are presented in the subchapter dedicated to each type of risk.

(a) Market risk

Market risk is the risk of registering a loss or the failure to achieve expected profit as a result of fluctuations in prices, interest rates and exchange rates of currencies.
The Company is exposed to the following market risk categories:

(i) Price risk

The Company is exposed to the risk associated with the variation of the prices of food and non-food products, necessary for the Company's activity. The Company manages this risk through an adequate supply program.

(ii) Interest rate risk

As of 31 December 2018 and 31 December 2017 a significant portion of the Company's assets 20,18% (2017: 30,52%) are interest-bearing, the cash and cash equivalents are generally invested at an interest rate for the short term. The decrease of the yields affects the asset valuation.
At the reporting date, the profile of the exposure to the interest rate risk for the interest-bearing financial instruments held by the Company was the following:

Fixed rate instruments	**31 December 2018**	**31 December 2017**
Bank deposits	5.908.957	10.075.000
Bonds	2.225.000	2.225.000
Total	**8.133.957**	**12.300.000**

The Company does not hold instruments with a variable interest rate. The interest rates on its cash deposits range between 1,20% and 3% in 2018 (2017: 1,39% si 2,00%) for RON-denominated deposits and for the bonds held the interest rate is 4% p.a.

25. Financial risk management (continued)

Management of significant risks (continued)

(a) Market risk (continued)

(ii) Interest rate risk (continued)

The impact on the net income of the Company to a change of +/-1% in the interest rate of the RON-denominated interest-bearing assets and liabilities is of +/- 81.340 lei as of 31 December 2018, respectively +/- 123.000 lei as of 31 December 2017.

(iii) Currency risk

The company is exposed to currency risk due to fluctuations of the currency exchange rates, as operating revenues are received under contracts with EUR-denominated prices, with no specific clauses to cover the potential risk of this nature. These contracts have as beneficiaries Romanian travel agencies that are only intermediaries and cannot assume currency fluctuation risks. Most of the company's financial assets and liabilities are denominated in national currency.

(b) Credit risk

The credit risk is the risk of loss or failure to achieve estimated profits, due to the counterparty's failure to fulfill its financial obligations. The Company is exposed to the credit risk following its liquidities in the current accounts, bank deposits and other receivables.

The maximum exposure of the Company to the credit risk amounts to 10.820.072 lei as of 31.12.2018 (31.12.2017: 15.607.727 lei)

Book value	**31 December 2018**	**31 December 2017**
Trade receivables and other current assets, out of which:	**584.370**	**543.432**
- *Trade receivables*	*226.989*	*399.024*
- *Suppliers-debtors*	*166.723*	*64.469*
- *Receivables various debtors*	*114.251*	*65.218*
- *Receivables with the State budget*	*76.408*	*14.721*
Bonds	**2.228.616**	**2.229.756**
Cash and bank deposits, out of which:	**8.007.085**	**12.834.539**
- *Banca Transilvania*	*7.831*	*12.417*
- *Marfin Bank*	*1.927.186*	*4.017.802*
- *Libra Bank*	*2.572.955*	*3.505.361*
- *Garanti Bank*	*1.544.931*	*2.613.450*
- *Raiffeisen Bank*	*1.740.135*	*2.523.797*
- *BCR*	*11.162*	*11.810*
- *Bancpost*	*32.354*	*73.068*
- *Trezoreria Suceava*	*170.531*	*76.832*
TOTAL	**10.820.072**	**15.607.727**

25. Financial risk management (continued)

Management of significant risks (continued)

(b) Credit risk (continued)

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The management has established a credit policy under which each new client is individually analyzed in terms of creditworthiness before being offered the Company's standard terms of payment and delivery. Customers who do not meet the established conditions can perform transactions with the Company only with payment in advance.

The Company establishes an impairment adjustment which represents its estimates regarding the loss from trade receivables. The adjustments for trade receivables impairment mainly refer to the specific components of the significant supported and identified individual exposures.

Losses from impairment

The analysis of the number of days of delay for trade receivables and other receivables:

31 December 2018	**Gross value**	**Impairment**
in lei		
Current and overdue between 0 and 30 days	302.854	
Overdue between 31 and 60 days	121.328	
Overdue between 61 and 90 days	6.840	
Overdue between 91 and 180 days	62.696	
Overdue between 181 and 360 days	1.343	
More than 360 days	81.155	(75.198)
Total	**576.216**	**(75.198)**

31 December 2017	**Gross value**	**Impairment**
in lei		
Current and overdue between 0 and 30 days	337.139	
Overdue between 31 and 60 days	53.896	
Overdue between 61 and 90 days	77.139	
Overdue between 91 and 180 days	42.509	
Overdue between 181 and 360 days	10.314	
More than 360 days	56.376	(55.697)
Total	**577.372**	**(55.697)**

(c) Liquidity risk

Liquidity risk is the company’s risk to encounter difficulties in fulfilling the obligations associated with financial liabilities that are settled in cash or by the transfer of another financial asset. The company’s approach regarding its liquidity management consists in ensuring, as much as possible, that it would always have sufficient liquidities to meet its due liabilities, both under normal conditions and under stress conditions, without incurring unacceptable losses or putting at risk the company’s reputation.

25. Financial risk management (continued)
Management of significant risks (continued)

(c) Liquidity risk (continued)

Generally, the company ensures that it has enough cash to cover its operating expenses. The following table presents the residual maturity of the Company's financial assets and liabilities, including the estimated interest payments:

31 December 2018	Valoare contabila	Sub 3 luni	Intre 3 și 12 luni	Mai mare de 1 an	Fără maturitate prestabilită
Financial assets					
Cash	2.112.613	2.112.613			
Deposits at banks	5.908.957		5.908.957		
Bonds	2.225.000			2.225.000	
Fund units	4.116.728				4.116.728
Other assets	1.001.958	1.001.958			
Total financial assets	**15.365.225**	**3.114.571**	**5.908.957**	**2.225.000**	**4.116.728**
Financial liabilities					
Trade payables	417.161	417.161			
Provisions for risks and expenses	105.127	105.127			
Other liabilities	400.507	400.507			
Total financial liabilities	**922.795**	**922.795**			
Liquidity surplus	**14.442.460**	**2.191.776**	**5.908.957**	**2.225.000**	**4.116.728**

31 December 2017	Valoare contabila	Sub 3 luni	Intre 3 și 12 luni	Mai mare de 1 an	Fără maturitate prestabilită
Financial assets					
Cash	2.759.539	2.759.539			
Deposits at banks	10.075.000		10.075.000		
Bonds	2.225.000			2.225.000	
Other assets	893.667	893.667			
Total financial assets	**15.979.289**	**3.679.289**	**10.075.000**	**2.225.000**	
Financial liabilities					
Trade payables	434.171	434.171			
Provisions for risks and expenses	101.475	101.475			
Other liabilities	356.955	356.955			
Total financial liabilities	**892.641**	**892.641**			
Liquidity surplus	**15.086.648**	**2.786.648**	**10.075.000**	**2.225.000**	

25. Financial risk management (continued)

Management of significant risks (continued)

(d) Risk related to taxation

The Romanian fiscal legislation provides detailed and complex provisions, having passed through several changes in recent years. Text interpretation and practical procedures for implementing the tax legislation might vary, with the risk that certain transactions are interpreted differently by the tax authorities compared to the Company's treatment. The Romanian Government has a number of agencies authorized to conduct audits (inspections) of companies operating in Romania. These inspections are similar to tax audits in other countries and may cover not only tax matters, but other legal and regulatory matters of interest to these agencies. It is possible that the Company continues to be subject to tax audits on the extent of new tax regulations being issued.

(e) Economic environment risk

The Company's management cannot foresee all the effects of potential economic or financial crises that would impact the sector in which the company operates, nor their potential impact on the present financial statements. The Company's management believes that it has adopted the necessary measures for the sustainability and the development of the company in current market conditions.

(f) Operational risk

The operational risk is defined as the risk of recording losses or failure to achieve the estimated profits due to internal factors such as the inappropriate 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 or technological progress. The operational risk is inherent in all of the Company's activities.

The policies defined for the operational risk management have taken into consideration each type of events that can generate significant risks and the ways of their manifestations, to remove or minimize losses of financial or reputational nature.

(g) Capital adequacy

The Company policy is to maintain a solid capital base necessary to maintain the trust of investors, creditors and the market and to sustain the future development of the entity.

The Company's equity includes the paid-up capital, different types of reserves and retained earnings. The Company is not subject to mandatory capital requirements.

Tamas Ion Romica	**Misiuc Livia**
General Manager	**Economic Manager**

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Statement of responsibility
for the preparation of the financial statements for the year 2018

As administrators of CASA DE BUCOVINA - CLUB DE MUNTE S.A., in accordance with the provisions of the Accounting Law no. 82/1991 republished and art. 63 alin. 2, letter. c from Law no. 24/2017, we assume the responsibility for the preparation of the financial statements and confirm that:

a) To our knowledge, the annual financial statements for the year 2018 were prepared in accordance with the applicable accounting standards

b) The annual financial statements as of 31 December 2018 provide a fair view of the assets, liabilities, financial position and the profit and loss account of CASA DE BUCOVINA - CLUB DE MUNTE SA.

c) CASA DE BUCOVINA – CLUB DE MUNTE SA operates under a going concern basis.

d) The Board of Administrators' annual report for the year 2018 includes a fair analysis of the development and performance of CASA DE BUCOVINA - CLUB DE MUNTE SA, as well as description of the main risks and uncertainties specific to the activity carried out.

Ion Romica Tamas
Vice-President of the Board of Administrators

Independent Auditor report

To the shareholders of Casa de Bucovina - Club de Munte SA

Report on the audit of financial statements

Opinion

We have audited the financial statements of **Casa de Bucovina – Club de Munte SA** (hereinafter referred to as „the Company"), headquartered in Gura Humorului, 18 Piata Republicii street, registered with the National Trade Register under no. J33/718/1998 and fiscal registration code RO 10376500, which include the statement of financial position as of **31 December 2018**, statement of comprehensive income and statement of changes in equity, the cash flow statement for the financial year ended on this date, as well as a summary of significant accounting policies and explanatory notes.

The financial statements at **31 December 2018** are identified as follows:

Net Asset/Total shareholders' equity	39.370.499 lei
Net profit for the financial year	55.385 lei

In our opinion, the financial statements give a true and fair view of the Company's financial position as of **31 December 2018**, as well as of the financial performance and cash flows for the year then ended, in accordance with the Order of the Minister of Public Finance no. 2.844/12.12.2016 for the approval of the Accounting Regulations compliant with the International Financial Reporting Standards, applicable to companies whose securities are admitted to trading on a regulated market, with subsequent amendments and completions.

Basis for the opinion

We conducted our audit in accordance with International Standards on Auditing ("ISA"), EU Regulation no. 537 of the Parliament and of the European Council (hereinafter "the Regulation") and Law no. 162/2017 ("the Law"). Our responsibilities under these standards are described in detail in the "Auditor's Responsibilities in an Audit of Financial Statements" section of our report. We are independent from the Company, according to the Ethical Code of Professional Professionals issued by the International Ethics Standards Board for Accountants ("IESBA Code"), according to the ethical requirements that are relevant for the audit of the Romanian financial statements, including the Regulations and the Law, and we have fulfilled the ethical responsibilities, according to these requirements and according to the IESBA Code. We believe that the audit samples we have obtained are sufficient and appropriate to provide a basis for our opinion.

Audit key aspects

Key audit aspects are those aspects that, based on our professional judgment, have been of the greatest importance for the audit of the current period's financial statements. These issues have been addressed in the context of the audit of the financial statements as a whole and in the formation of our opinion on them and we do not provide a separate opinion on these key aspects.

<table>
<tr><td colspan="2">Evaluation of land and buildings held as tangible assets</td></tr>
<tr><td colspan="2">As of 31 December 2018, the Company owns land at the fair value of 10.255.586 lei and buildings at a fair value of 13.799.880 lei. The balance of the revaluation reserves of tangible assets is 14.937.123 lei. The increase from revaluation of tangible assets recognized in equity in the financial year 2018 is of 3.009.714 lei, and in the profit or loss amount is of 61.238 lei.</td></tr>
<tr><td colspan="2">We refer to the following notes:
Note 3 (e) "Significant accounting policies. Tangible assets "
Note 4 "Significant accounting estimates and judgments"
Note 17. A. "Tangible assets"
Note 20 b) "Reserves from revaluation of tangible assets"</td></tr>
<tr><td>Key audit aspects</td><td>Approach within the audit mission</td></tr>
<tr><td>Tangible assets of the Company include land and buildings measured at fair value. In addition, the Company has chosen the revaluation model as the accounting policy for land and buildings classified as tangible assets.

The Company's management contracted an authorized valuer to determine the fair value of land and buildings at 31 December 2018.

The value of land and buildings from the Financial Position represents a significant portion of total assets (60%) at 31 December 2018. In addition, the valuation of land and buildings requires the use of significant estimates and professional judgments.

In view of the above, we considered the valuation of land and buildings as a key audit issue.</td><td>Our audit procedures included:

- We tested key controls on the land and building valuation process, respectively whether the management of the Company was adequately involved in selecting the valuation expert, monitoring the transfer of relevant information to them and analyzing the evaluation results;
- We evaluated the professional, independent and qualified expertise of the valuation expert contracted by the Company, as well as the agreed area of cooperation with it, respectively if there were limitations of the area which, from our point of view, could have affected the evaluation results;
- We have our valuation specialists involved to assist us in the critical assessment of valuation methods and significant assumptions used, such as yield rates, income generating units and occupancy rates, by comparing a data sample with external data on developments in the real estate market and occupancy rates for similar properties;
- We have assessed how the notes to the financial statements present fairly and accurately the aspects of the revaluation of land and buildings, in accordance with the relevant financial reporting framework.</td></tr>
</table>

<table>
<tr><td colspan="2">Evaluation financial assets valued at fair value through profit or loss</td></tr>
<tr><td colspan="2">As of 31 December 2018, the Company owns financial assets at fair value through profit or loss amounting to 4.116.728 lei, representing closed-end fund units. The loss from the revaluation of financial assets at fair value through profit or loss recognized in the financial year 2018 is of 883.268 lei.</td></tr>
<tr><td colspan="2">We refer to the following notes:
Note 3 c) "Significant accounting policies. Financial assets and liabilities "
Note 15 a) "Financial assets at fair value through profit or loss"</td></tr>
<tr><td>Key audit aspects</td><td>Approach within the audit mission</td></tr>
<tr><td>As of 31 December 2018, the Company owns fund units issued by Fondul Închis de Investiții Star Value, managed by SAI Star Asset Management, valued at a fair value of 4.116.728 lei.

For these financial assets included in Level 3 of the fair value hierarchy, the Company uses the valuation techniques mentioned in Note 3.

Valuation techniques based on unobservable parameters require a significant level of analysis and estimation from the Company's management to determine fair value.

We considered the valuation of these financial assets as a key audit issue considering the significant judgments and estimates to be made in the valuation process.</td><td>Our audit procedures included:

- We have tested the key controls the Company has implemented to prevent, detect and correct errors that may occur in the process of the valuation of financial assets;

- We received a confirmation letter from the fund manager regarding the fund units held by the Company and the fair value of the fund units;

- We evaluated the Company's fair value estimates by analyzing the valuation of the assets held by the fund;

- We have assessed the proper fit within the hierarchy of fair values;

- We have assessed how the notes to the financial statements present fairly and accurately the issues related to the valuation of the financial assets in accordance with the relevant financial reporting framework.</td></tr>
</table>

Other information – Administrators' report

Administrators are responsible for preparing and presenting other information. That other information includes the Administrators' Report but does not include the financial statements and the auditor's report.

Our opinion on the financial statements does not cover this other information, and unless expressly stated in our report, we do not express any conclusion about it.

With regard to the audit of the financial statements for the year ended **31 December 2018**, it is our responsibility to read that other information and, in this regard, to assess whether that other information is materially inconsistent with the financial statements or the knowledge we have acquired during the audit, or if they appear to be materially distorted.

On the sole basis of the activities that must be performed during the audit of the financial statements, in our opinion:

a) The information presented in the Administrators' Report for the financial year for which the financial statements were prepared is consistent, in all material respects, with the financial statements;
b) The Administrators' Report was prepared, in all material aspects, in accordance with the Order of the Minister of Public Finance no. 2.844/12.12.2016 for the approval of Accounting Regulations in accordance with International Financial Reporting Standards, applicable to companies whose securities are admitted to trading on a regulated market, as subsequently amended and supplemented, Annex 1, Chapter 3, paragraphs 15-20.

In addition, based on our knowledge and understanding of the Company and its environment, acquired in the course of our audit of the financial statements for the year ended 31 December 2018, we are required to report whether we have identified significant misstatements in the Administrators' Report. We have nothing to report on this aspect.

The responsibility of the management and the persons responsible with the governance for the financial statements

The management of the Company is responsible for the preparation of financial statements that provide a true and fair view in accordance with the Order of the Minister of Public Finance no. 2,844/12.12.2016 for the approval of Accounting Regulations in accordance with International Financial Reporting Standards, applicable to companies whose securities are admitted to trading on a regulated market, with subsequent amendments and completions, and for the internal compliance that management deems necessary to enable the preparation of the financial statements, free of material misstatement, whether due to fraud or error.

In preparing the financial statements, the management is responsible for assessing the Company's ability to continue its business, for presenting, where appropriate, business continuity related aspects and for using of business continuity accounting, unless the management intends to liquidate the Company or to stop its operations, or has no realistic alternative besides these.

The persons responsible for the governance are responsible for supervising the financial reporting process of the Company.

Auditor’s responsibility in a financial statements audit

Our objectives are to obtain a reasonable assurance on whether the financial statements as a whole are free from material misstatement, whether caused by fraud or by error, as well as to issue an auditor's report which includes our opinion. Reasonable assurance is a high level of assurance, but there is not a guarantee that an audit conducted in accordance with ISA will always detect a material misstatement, if any. Distortions can be caused either by fraud or error and are considered significant if it can be expected, reasonably, that they, individually or cumulated, will influence the economic decisions of users, taken on the basis of these financial statements.

As part of an ISA-compliant audit, we exert professional reasoning and maintain professional skepticism during the entire process. We also:

- Identify and evaluate risks that could cause significant distortion of financial statements, caused either by fraud or error, prepare and execute audit procedures in response to different risks and we obtain adequate audit evidence in order to support our opinions. The risk of not detecting a significant distortion caused by fraud is higher than the risk of not detecting a distortion caused by error because fraud can involve collusion, forgery, intentional omissions, false statements or internal control avoidance.
- Understand relevant internal controls for the audit, used to prepare auditing procedures that are adequate given the circumstances, without expressing an opinion on the effectiveness of the Company’s internal control procedures.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and presentations of information prepared by management.
- Formulate a conclusion with regards to the appropriateness of management’s use of accounting on a going concern basis and determine, based on audit evidence obtained, if there is significant uncertainty with regards to events or conditions that may cast significant doubt on the Company’s ability to continue operating as a going concern. If we conclude that there is significant uncertainty, we must report it in the auditor’s report on the presentation of financial statements or, in the case these presentations are not adequate, to modify our opinion. Our conclusions rely on audit evidence obtained before the date of the audit report. However, future

events or conditions may cause the Company to not be able to continue operations on a going concern basis.
- Evaluate the overall presentation, structure and content of financial statements, including information disclosures, and the extent to which the financial statements reflect underlying transactions and events that results in a fair presentation.

We communicate to the persons responsible for corporate governance, among other aspects, the timely audit planning, as well as the main audit findings, including any significant deficiencies in internal control procedures we identify during the audit.

Furthermore, we provide the persons responsible with the governance with a statement that we met the professional and ethics requirements on independence and that we communicated them all the relationships and other aspects that might affect, under reasonable assumptions, our independence and, if the case may be, the related protection measures.

Of all issues reported to the persons responsible for corporate governance, we decide on the most important ones for the audit of the current financial statements and, accordingly, represent key aspects of the audit. We describe these issues in the auditor's report, unless law or regulations prohibit public dissemination of the issue, or if, under extremely rare circumstances, we consider the general public interest be outweighed by the negative consequences of the report.

Report on Other Legal and Regulatory Provisions

We have been appointed by the Ordinary General Meeting of Shareholders on 29.04.2016 to audit the financial statements of CASA DE BUCOVINA – CLUB DE MUNTE SA for the financial year ended 31 December 2018. The total uninterrupted duration of our engagement is 4 years, covering the exercises financial year ended 31 December 2016 until 31 December 2019.

We confirm that:

- Our audit opinion is consistent with the additional report submitted to the Audit Committee of the Company, which we issued on the same date that we issued this report. Also, in conducting our audit, we have kept our independence from the audited entity.
- We did not provide for the Company the non-audited services referred to in Article 5 (1) of EU Regulation no. 537/2014.

Badiu Dan-Andrei

registered with the Chamber of Financial Auditors of Romania under number 4426

For and on behalf of 3B Expert Audit S.R.L.

registered with the Chamber of Financial Auditors of Romania under number 73

Bucharest, Romania

8 March 2019

This document is a translation from its Romanian version. In case of any difference between the /Romanian and the English versions, the Romanian version shall prevail