

**CASA DE BUCOVINA – CLUB DE MUNTE S.A.
BOARD OF ADMINISTRATORS' REPORT
FOR THE FIRST QUARTER OF 2019
(01.01.2019 – 31.03.2019)**

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

Quarterly report in accordance with:	The provisions of Law no. 24/2017 and FSA Regulation no. 5/2018
Date of the report:	14 May 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
Subscribed and aid-in share capital:	16,733,960 lei
Main features of the issued securities:	167,339,600 shares, with a face value of RON 0.1/share
Regulated market on which the securities are traded	Bucharest Stock Exchange
LEI Code	2549003JCE4UBBB88S53

1. Main financial indicators

Financial results

	01.01.2019 - 31.03.2019	01.01.2018 - 31.03.2018
Turnover	1,510,105	1,468,529
Operating revenues, of which:	1,510,430	1,468,854
Revenue from rendered services	644,782	525,623
Revenue from the sale of goods	865,323	942,906
Other revenues	325	325
Operating expenses	-1,811,718	-2,107,650
Operating loss	-301,288	-638,796
Financial revenue	72,440	31,147
Net gain / (Net loss) from the valuation of financial assets at fair value through profit or loss	138,244	-207,248
Loss before taxes	-90,604	-814,897
Net loss for the period	-100,910	-824,922

Financial position

	31.03.2019	01.01.2019
Cash and bank accounts	1,649,763	2,135,663
Deposits at banks	6,006,162	5,977,971
Financial assets at fair value through profit or loss	4,254,972	4,116,728
Financial assets at amortized cost	2,250,562	2,228,616
Inventories	172,005	186,415
Other assets	978,272	808,269
Tangible and intangible fixed assets	24,696,996	24,839,632
Total assets	40,008,732	40,293,294
Trade payables	314,186	417,161
Other liabilities	424,957	505,634
Total liabilities	739,143	922,795
Shareholders' equity	39,269,589	39,370,499
Total shareholders' equity and liabilities	40,008,732	40,293,294

2. Company information

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 ticker BCM.

Casa de Bucovina- Club de Munte SA's core business is hotel services, catering and recreational/leisure services, selling tourism services, organizing 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.

3. Analysis of the company's activity

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.

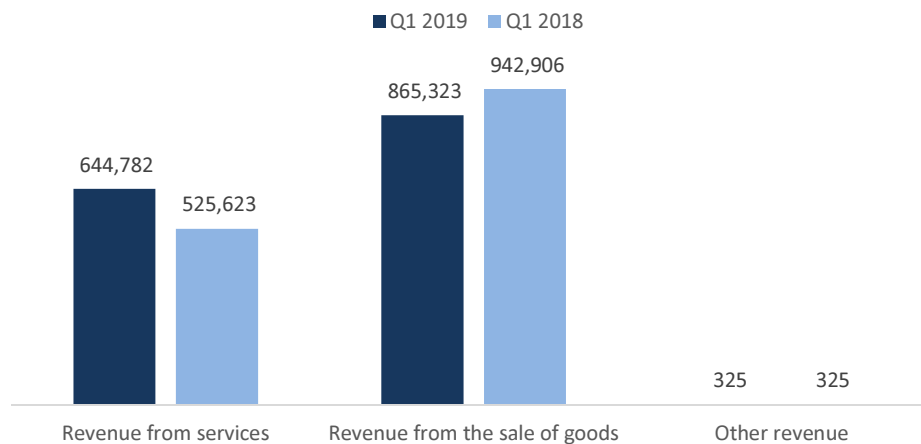
The following packages were promoted:

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

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, Facebook).

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.

Breakdown of operating revenues



Compared to the similar period from last year, in the first three months of 2019, the company registered a 2.8% increase in operating revenues, due to a 22.7% rise in revenues from rendered services, while the revenues from the sale of goods were 8.2% lower.

The growth of revenues from the accommodation activity was due to a 3.7 percentage points increase of the occupation rate, as well as to the 15.2% increase of the average tariff, compared to the similar period of last year. These increases were mainly due to the efforts of the company to develop the conference segment, as well as the growth recorded on the individual tourists segment, especially due to the ski season and the "Family Camp" project.

CASA DE BUCOVINA – CLUB DE MUNTE S.A. does not have to report any significant events or transactions that might affect to a significant extent the revenues from its core activity.

In the first three months of 2019 the company was not involved in any mergers or reorganization of the company. During the first three months of 2019 the company had registered no significant acquisitions/disposals of assets used in its core activity.

In the first three months of 2019, the company has not recorded any sale or discontinuation of a segment of activity and does not anticipate that any segment will be sold or closed in the next nine months. For the rest of the year 2019, the company has no indications for forecasting the occurrence of macroeconomic uncertainty factors or trends that would lead to the reduction of tourist traffic, that would significantly impact the activity and the liquidity of the company.

4. The economic and financial position

4.1. The company's tangible assets

The company owns a total land area of 175,880 sqm, of which 172,392 sqm are fully owned and 3,488 sqm are taken in concession.

Along with the land, the company owns the following buildings:

- hotel (opened 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.

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

4.2. Financial statements

The financial statements as of 31 March 2019 were prepared in accordance with International Financial Reporting Standards adopted by the European Union.

The figures are expressed in lei and the financial statements are not revised by the company's auditors.

In the tables below are presented statement of financial position and statement of comprehensive income related to the first three months of 2019.

lei	31 March 2019	31 December 2018
ASSETS		
Cash and bank accounts	1,649,763	2,135,663
Deposits at banks	6,006,162	5,977,971
Financial assets at fair value through profit or loss	4,254,972	4,116,728
Financial assets at amortized cost	2,250,562	2,228,616
Inventories	172,005	186,415
Other assets	978,272	808,269
Tangible and intangible fixed assets	24,696,996	24,839,632
TOTAL ASSETS	40,008,732	40,293,294
LIABILITIES		
Trade payables	314,186	417,161
Other liabilities	424,957	505,634
TOTAL LIABILITIES	739,143	922,795
SHAREHOLDERS' EQUITY		
Share capital	31,887,100	31,887,100
Reserves from revaluation of tangible assets	14,895,660	14,937,123
Reported result	(7,513,171)	(7,453,724)
TOTAL SHAREHOLDERS' EQUITY	39,269,589	39,370,499
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	40,008,732	40,293,294

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 the realized or unrealized gains or losses from holding the fund units.

lei	31 March 2019	31 March 2018
Revenue from touristic services	1,510,105	1,468,529
Other revenue	325	325
Raw materials and consumables used	(289,634)	(339,432)
Cost of goods sold	(304,347)	(332,962)
Third party expenses	(181,683)	(512,204)
Personnel costs	(727,459)	(636,769)
Depreciation and impairment of fixed assets	(152,826)	(123,128)
Other expenses	(155,769)	(163,155)
Operating loss	(301,288)	(638,796)
Financial revenue	72,440	31,147
Net gain / (Net loss) from the valuation of financial assets at fair value through profit or loss	138,244	(207,248)
Loss before taxes	(90,604)	(814,897)
Tax expense	(10,306)	(10,025)
Net loss for the period	(100,910)	(824,922)
Other comprehensive income		
Items that may not be transferred to profit or loss		
Decrease in revaluation reserve of tangible assets, net of deferred tax	-	-
Total comprehensive income for the period	(100,910)	(824,922)

In the first three months of 2019, the company recorded an increase in operating revenues of 2.8% yoy, amid a rise in revenues from rendered services (+ 22.7% yoy) and a fall in revenue from the sale of goods (-8.2% yoy).

The operating expenses dropped by 14% compared to the first quarter of 2018, mainly due to the decreases in the cost of goods sold (-8.6%), in the expenses with the raw materials and consumables used (-14.7%, as the expenses with the inventory items and consumables have decreased, while the expenses with the utilities have increased), and in the third party expenses (-64.5%, due to the drop of the maintenance and repairs costs). The personnel costs grew by 14.2%, due to the rise of the mandatory minimum wage, while the depreciation expenses increased by 24.1%, based on the revaluation of land and buildings on 31 December 2018.

Thus, the company registered an operating loss of 0.3mn lei in the first three months of the year 2019, compared to the loss registered in the similar period of last year, of 0.64mn lei, much smaller than the operating loss budgeted for this quarter, of 0.68mn lei.

The company recorded a positive value of the gross operating profit (GOP), of 9.562 lei, compared to the negative budgeted value of -183.002 lei.

The registered financial result was a profit of approx. 0.21mn lei, compared to a loss of 0.18mn lei in the first quarter of 2018, amid the increase in interest and exchange rate gains, as well as the marking-to-market of the fund units held.

The positive financial result, cumulated with the registered operating loss, led to a negative net result of approx. 0.1mn lei, compared to the negative result registered in the first quarter of 2018, of approx. 0.82mn lei.

4.3. Revenues and Expenditures Budget Execution

The main financial indicators registered in the first three months of 2019, compared with the REB for the first three months of 2019 are presented in the table below:

	REB 3M 2019	Actual 3M 2019
Total revenues	1,271,593	1,509,269
Total expenses	919,441	956,985
Profit from operating activity*	352,152	552,284
GOP**	-183,002	9,562
Operating result	-684,752	-301,287
Financial result	54,000	210,683
Gross result	-630,752	-90,604

* 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

In the first three months of 2019, the revenues from the company's major business segments exceeded the budgeted values. Thus, the revenue from the accommodation activity (about lei 0.55mn) was 8.8% higher than those budgeted for this segment, while the revenue from the food&beverage activity (approximately lei 0.86mn) recorded a value 26.1% higher than budgeted

4.4. Liquidity, risk and management indicators

Liquidity indicators		31.03.2019	31.03.2018
Current liquidity	Current assets / Current liabilities	22,36	12,49
Quick liquidity – acid test	(Current assets - Inventories) / Current liabilities	22,10	12,26
Risk indicators		31.03.2019	31.03.2018
Indebtedness	Debt / Equity*100	n/a	n/a
Interest coverage ratio	EBIT / Interest costs	n/a	n/a
Management indicators		31.03.2019	31.03.2018
Clients turnover (days)	Average clients balance / Turnover *90	15,51	31,88
Fixed assets turnover	Turnover / Fixed assets	0,06	0,05

5. Changes that affect the company's capital and management

5.1. Description of the circumstances when the company was not able to meet its financial obligations during the analyzed period.

In the first three months of 2019 CASA DE BUCOVINA – CLUB DE MUNTE S.A. was not in any situation unable to meet its financial obligations during the analyzed period.

5.2. Description of any change in the shareholders' rights.

During the first three months of 2019 there were no changes in the rights of the holders of the shares issued by CASA DE BUCOVINA – CLUB DE MUNTE S.A.

6. Company management

6.1. 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.

6.2. Executive management

In the first three months of 2019, the executive management of the company was provided by:

- General Manager - Mandate contract - Ion Romica Tamas;
- Economic Manager – Permanent contract - Livia Misiuc;
- Sales Manager – Permanent contract - Doina Prosciuc;
- Food & Beverage Manager – Permanent contract – Stefan Ghisovan;
- Accommodation Manager – Permanent contract - Analaura – Iuliana Simota;
- Technic Manager – Permanent contract – Mihai Sava.

6.3. Corporate governance

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, mentioning the members who are independent and/or nonexecutive, the updated Constitutive Act and the declaration of compliance.

At company level, there have been established the Audit Committee and the Remuneration Committee. 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 Meeting of Shareholders, 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 website. The company ensures the immediate information of all the shareholders about the decisions made and the vote result after the General Meeting of Shareholders. 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.

7. Events after the reporting period

On 19 April 2019 the CASA DE BUCOVINA – CLUB DE MUNTE S.A. Ordinary General Shareholders Meeting was held. It approved the annual financial statements of the company for the year 2018, based on the Report of the Board of Administrators and on the report of the financial auditor. Also, the OGSM approved the distribution of the net profit for the financial year 2018, amounting to 55.385 lei, as follows: 5.007 lei to the legal reserve and 50.378 lei to other reserves.

The Extraordinary General Shareholders Meeting on 19 April 2019 approved the carrying out a buyback program. The Program shall be carried out in compliance with applicable legal provisions and shall have the following main 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 paid 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.

The OGSM and EGSM decisions were communicated to investors, BVB and FSA through a current report, on 19 April 2019.

8. Annexes

Financial statements as of 31.03.2019

9. Signatures

Ion Romica Tamas

Vice - President of the Board of Administrators
General Manager

Livia Misiuc

Economic Manager

CASA DE BUCOVINA CLUB DE MUNTE S.A.**Statement of financial position at 31 March 2019**

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Tamas Ion Romica
General Manager

Misiuc Livia
Economic Manager

CASA DE BUCOVINA CLUB DE MUNTE S.A.

**Statement of comprehensive income for the period ended 31
March 2019**

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