casa de
Bucovina
club de munte

Piata Republicii nr. 18
Gura Humorului 725300
Județul Suceava
Tel: + 4 0230 207000
Fax + 4 230 207001
E-mail:
actionari@bestwesternbucovina.ro
www.bestwesternbucovina.ro

CASA DE BUCOVINA – CLUB DE MUNTE S.A.

BOARD OF ADMINISTRATORS' REPORT

FOR THE 1ST SEMESTER OF 2018

(01.01.2018 – 30.06.2018)

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.

Half-yearly report in accordance with:	The provisions of Law no. 24/2017 and FSA Regulation no. 5/2018
Date of the report:	10 August 2018
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

	01.01.2018 - 30.06.2018	01.01.2017 - 30.06.2017
Turnover	**3,782,018**	**3,180,960**
Operating revenues, of which:	3,782,805	3,184,872
Revenue from accommodation activity	1,384,371	1,244,913
Revenue from food and beverage activity	2,182,957	1,850,877
Revenue from other activities	215,477	89,082
Operating expenses	4,086,238	3,686,211
Operating result	**-303,433**	**-501,339**
Financial (expense)/revenue	-440,865	128,158
Gross result	-744,298	-373,181
Net result	**-784,592**	**-408,619**

Balance sheet items

	30.06.2018	01.01.2018
Cash and bank accounts	1,682,121	2,785,781
Deposits at banks	5,927,518	10,159,792
Financial assets at fair value through profit or loss	4,471,523	-
Financial assets at amortized cost	2,226,852	2,229,756
Inventories	177,519	193,393
Other assets	804,074	700,273
Tangible and intangible fixed assets	21,998,498	22,082,551
Total assets	**37,288,105**	**38,151,546**
Trade payables	345,672	434,171
Other liabilities	**1,137,478**	**458,470**
Total liabilities	**1,483,150**	**892,641**
Shareholders' Equity	**35,804,955**	**37,258,905**
Total shareholder's equity and liabilities	**37,288,105**	**38,151,546**

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. Best Western Bucovina hotel is the first landmark of the identity of an international chain (Best Western) in the area of Suceava county and it is still the only hotel in this area that operates under an international franchise.

Best Western Bucovina Hotel is close to the famous monasteries with paintings on the exterior walls, 35 km away from Suceava, 5 km from Voronet monastery and 4 km from Humor monastery.

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.

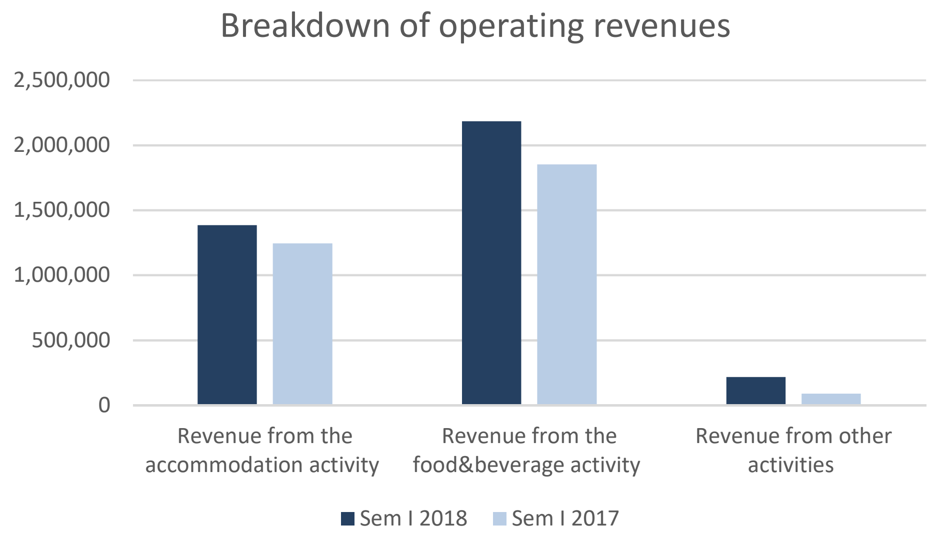
The marketing strategies used were based on promoting the concept of an area still unspoiled by the side effects of mass tourism, positioning Bucovina as a destination where local customs and traditions are at home. The marketing strategies and pricing policies were characterized by a maximum elasticity, adapted to a price-sensitive market, consumer dominated.

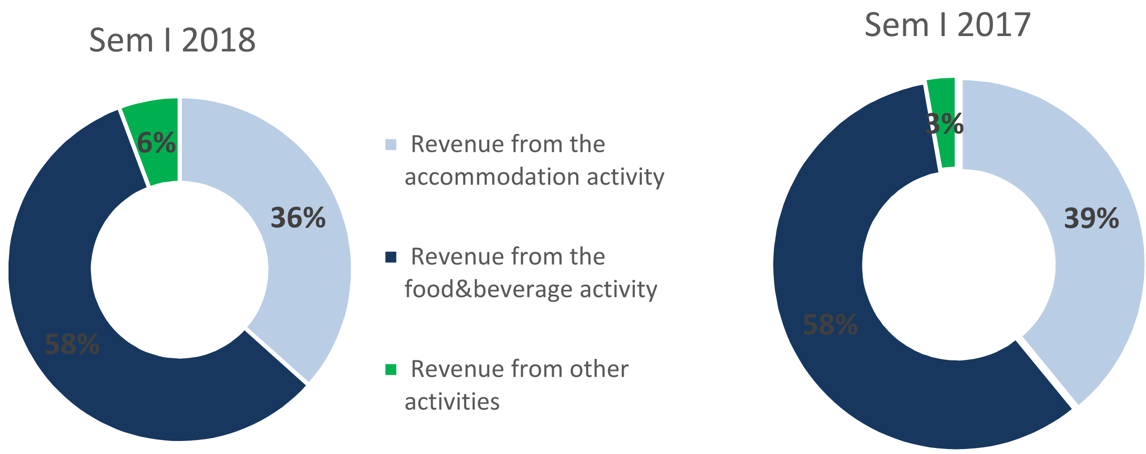
New packages were created and promoted:

- 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 OTA, Facebook, SMS marketing).

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.





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 of 17.9%. The unfavorable weather in April, and especially in June, had a negative effect, causing a decline in the number of individual tourists and in the revenue generated by them.

The increase in the accommodation income was due to the growth of the average tariff by 12.7%, amid a slight increase of the occupancy rate of 0.05%. SPA revenues had a downward trend compared to 2017, due to the decline in the number of individual tourists.

	sem I 2018	sem I 2017	variation
Occupancy rate	43.05%	43.03%	0.05%
Accommodation-nights	9,718	9,699	0.20%
Average price/room/night	142	126	12.70%

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 six months of 2018 the company was not involved in any mergers or reorganization of the company. During the first six months of 2018 the company had registered no acquisitions/disposals of assets used in its core activity.

In the first six months of 2018, 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 6 months. For the second half of the year 2018, 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 18 and 80 seats);
- multipurpose stand-alone conference room with a capacity of 220 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 30 June 2018 was 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, statement of comprehensive income and statement of cash flows related to the first half of 2017

lei	**30 June 2018**	**1 January 2018**
ASSETS		
Cash and bank accounts	1,682,121	2,785,781
Deposits at banks	5,927,518	10,159,792
Financial assets at fair value through profit or loss	4,471,523	
Financial assets at amortized cost	2,226,852	2,229,756
Inventories	177,519	193,393
Other assets	804,074	700,273
Tangible and intangible fixed assets	21,998,498	22,082,551
TOTAL ASSETS	**37,288,105**	**38,151,546**
LIABILITIES		
Trade payables	345,672	434,171
Other liabilities	1,137,478	458,470
TOTAL LIABILITIES	**1,483,150**	**892,641**
SHAREHOLDERS' EQUITY		
Paid-in capital	31,887,100	31,887,100
PPE revaluation reserve	11,970,259	12,013,107
Reported result	(8,052,404)	(6,641,302)
TOTAL SHAREHOLDERS' EQUITY	**35,804,955**	**37,258,905**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**37,288,105**	**38,151,546**

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.

Although previous performance is not a guarantee of future results, from the analysis of previous periods, we can see that in the second half of the year the BET FI index is registering higher growths than in the first half of the year or recovers declines registered in the first half of the year. The following table shows the half-yearly evolution of BET FI in recent years:

	2015		2016		2017		2018
	30.06.2015	30.12.2015	30.06.2016	30.12.2016	30.06.2017	29.12.2017	29.06.2018
Value	29,647.34	30,276.49	26,639.03	29,710.63	32,482.32	39,643.35	37,685.16
Half-yearly variation	**-2%**	**2%**	**-12%**	**12%**	**9%**	**22%**	**-5%**

Taking into account 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.

lei	**30.06.2018**	**30.06.2017**
Revenue from touristic services	3,782,018	3,180,960
Other revenues	787	3,912
Raw materials and consumables used	(192,140)	(178,196)
Costs of goods sold	(765,295)	(689,570)
Third party expenses	(818,462)	(872,198)
Personnel costs	(1,346,525)	(1,160,746)
Depreciation and impairment of fixed assets	(249,149)	(231,825)
Other expenses	(714,667)	(553,676)
Operating profit/(loss)	**(303,433)**	**(501,339)**
Financial (expense)/revenue	(440,865)	128,158
Profit/(loss) before taxes	**(744,298)**	**(373,181)**
Current income tax expense	(40,294)	(35,438)
Profit/(loss) for the semester	**(784,592)**	**(408,619)**
Other comprehensive income		
Items that are or may be transferred to profit or loss		
Increase in revaluation reserve of tangible assets, net of deferred tax		
Total other comprehensive income		
TOTAL GLOBAL RESULT FOR THE SEMESTER	**(784,592)**	**(408,619)**

In the first half of 2018, the company recorded a growth in operating revenue by 18.8%, due to the increase in the revenue from the accommodation activity (+11.2% yoy) and in the food&beverage activity (+17.9% yoy). Operating expenses increased by 10.9% compared to the same period of the previous year, with a lower dynamic than the operating revenue, thus the operating loss decreased from lei 501.339 to lei 303.433 lei. The budgeted operating loss for the first semester of the year was of lei 658.043.

The main reason for the increase in operating expenses is the increase of the personnel expenses (+16%, due to the increase of the minimum wage in the economy), especially in the food&beverage department.

The company recorded a value of the gross operating profit (GOP) of lei 641.185, compared to the amount budgeted for this period, of lei 363.557.

The loss related to the semester was partially increased by the negative financial result (lei 440.865), mainly due to the decrease of the interest income and the marking-to-market of the fund units, leading to a net loss of lei 784.592 lei, compared to the loss of lei 408.619 registered in the first semester of 2017.

In the first half of 2018, investments in the hotel's renovation amounted to about lei 0.39mn, 14.7% lower than in the same period of the previous year. The investments were financed from the company's own funds.

lei	**30.06.2018**	**30.06.2017**
Cash flow from operating activity:		
Proceeds from clients	4,115,232	3,359,867
Payments to suppliers	-2,791,777	-2,718,764
Payments to employees	-1,230,340	-1,023,387
VAT paid	-45,327	
Other payments to the state budget	-742,693	-876,603
Income tax paid	-35,052	-31,885
Net cash from operating activity	**-729,957**	**-1,290,772**
Cash flow from investing activity:		
Bonds purchase	-2,225,000	
Payments for the purchase of tangible assets	-233,639	-85,492
Bonds collection on maturity	2,225,000	
Payments for the purchase of fund units	-4,999,996	
Proceeds from deposits greater than three months and less than one year	4,675,000	
Received interest	171,572	176,415
Net cash from investment activity	**-387,063**	**90,923**
Cash flow from financing activity:		
Dividend payments	-715	-1,360
Net cash from financing activity	**-715**	**-1,360**
Net (decrease)/ increase in cash and cash equivalents	**-1,117,735**	**-1,201,209**
Cash and cash equivalents at the beginning of the period	**2,785,622**	**3,026,132**
Cash and cash equivalents at the end of the period	**1,667,887**	**1,824,923**

4.3. Revenues and Expenditures Budget Execution

The main financial indicators registered in the first half of 2018, compared with the REB for the first half of 2018 are presented in the table below

	REB Sem I 2018	**Actual Sem I 2018**
Total revenues	3,296,707	3,782,018
Total expenses	2,008,597	2,230,377
Profit from operating activity*	**1,288,110**	**1,551,641**
General, marketing, utilities and maintenance expenses	924,553	910,456
GOP**	**363,557**	**641,185**
Expenses with the BOA, auditors, taxes, royalties, insurance	245,100	236,001
Operating result before the expenses with depreciation, repairs, modernization and provisions	**118,457**	**405,184**
Depreciation	241,500	249,150
Repairs and modernization expenses	535,000	516,237
Other revenues		56,770

	REB Sem I 2018	Actual Sem I 2018
Operating result	**-658,043**	**-303,433**
Financial result	138,000	-440,865
Gross result	**-520,043**	**-744,298**

** 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 six months of 2018, the revenues from the company's major business segments exceeded the budgeted values. Thus, the revenue from the accommodation activity (about lei 1.38mn) were 8% higher than those budgeted for this segment, while the revenue from the food&beverage activity (approximately lei 2.18mn) recorded a 15% higher value than budgeted

4.4. Liquidity, risk and management indicators

Liquidity indicators		Sem I 2018	Sem I 2017
Current liquidity	Current assets / Current liabilities	7,41	12,78
Quick liquidity – acid test	(Current assets - Inventories) / Current liabilities	7,28	12,57
Indicatori de risc			
Indebtedness	Debt / Equity*100	n/a	n/a
Interest coverage ratio	EBIT / Interest costs	n/a	n/a
Management indicators			
Inventory turnover	COGS / Average inventory	4,12	3,53
Days of storage	Average inventory / COGS *180	43,62	50,87
Clients turnover (days)	Average clients balance / Turnover *180	21,73	20,28
Fixed assets turnover	Turnover / Fixed assets	0,14	0,14
Total assets turnover	Turnover / Total assets	0,10	0,09

4.5. Assessment of the company's personnel

Compared to the first half of 2017, the personnel evolution during the first semester of 2018 was the following:

Indicator	Personnel as of 30.06.2018	Personnel as of 30.06.2017
Total personnel, of which:	82	84
Executive	4	4
Operational	78	80

The dynamics of the gross salaries compared to the realized revenues is the following:

Indicator	30.06.2018	30.06.2017	Variation (%)
Gross wage expenses - lei	1.346.525	1,160,746	16.0%
Average personnel number	74	76	-2.6%
Labor productivity - lei/employee	51.108	41,854	22.1%
% personnel expenses in revenues	35,60	36,44	-2.3%

The growth of the personnel expenses in the first half of 2018 was due to the increase of the minimum wage.

The relation of the company with its employees is covered by the Collective Work Contract. No union operates within the company.

There are not and there are not reported conflicting elements that could negatively impact the work relations in the company.

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 semester of 2018 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 semester of 2018 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 six months of 2018, the executive management of the company was provided by:

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

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. Transactions with persons involved with shareholders holding control of the company

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, with a face value of lei 2.5/bond. The interest rate is fixed at 4% per year, and interest is paid every 90 calendar days from the date of each subscription. The bond maturity is 36 months from the subscription date.

Both CASA DE BUCOVINA – CLUB DE MUNTE S.A. and FIROS S.A. are subsidiaries of SIF MUNTENIA.

8. Risks and uncertainties over the next 6 months of the year

The main risks the Company is exposed to are: interest rate risk, currency risk, price risk, credit risk, liquidity risk, risk related to taxation, economic environment risk and 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.

Interest rate risk

As of 30 June 2018, a significant portion of the Company's assets are interest-bearing. The cash and cash equivalents are generally invested at an interest rate for the short term. The Company does not hold instruments with a variable interest rate. The interest rates on its cash deposits range between 1,8% and 3% for RON-denominated deposits and for the bonds 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 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.

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.

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 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 assessed 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.

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.

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.

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.

9. Events after the reporting period

On July 20, 2018 the company has started to pay the gross dividends of lei 0.004/share, in accordance with the decisions of the Ordinary General Shareholders Meeting held on April 20, 2018. The total gross dividend is lei 669,358.4.

10. Annexes

Financial statements as of 30.06.2018

Statement of conformity

11. Signatures

Ion Romica Tamas	Livia Misiuc
Vice - President of the Board of Administrators	**Economic Manager**
General Manager	

Casa de Bucovina – Club de Munte S.A.

Interim Financial Statements
as of and for the period ended
30 June 2018

Prepared according to the International
Financial Reporting Standards
adopted by the European Union

Statement of comprehensive income

for the six-month period ended 30 June 2018

lei	**30.06.2018**	**30.06.2017**
Revenue from touristic services	3,782,018	3,180,960
Other revenues	787	3,912
Raw materials and consumables used	(192,140)	(178,196)
Costs of goods sold	(765,295)	(689,570)
Third party expenses	(818,462)	(872,198)
Personnel costs	(1,346,525)	(1,160,746)
Depreciation and impairment of fixed assets	(249,149)	(231,825)
Other expenses	(714,667)	(553,676)
Operating profit/(loss)	**(303,433)**	**(501,339)**
Financial (expense)/revenue	(440,865)	128,158
Profit/(loss) before taxes	**(744,298)**	**(373,181)**
Current income tax expense	(40,294)	(35,438)
Profit/(loss) for the semester	**(784,592)**	**(408,619)**
Other comprehensive income		
Items that are or may be transferred to profit or loss		
Increase in revaluation reserve of tangible assets, net of deferred tax		
Total other comprehensive income		
TOTAL GLOBAL RESULT FOR THE SEMESTER	**(784,592)**	**(408,619)**

Ion Romica Tamas
General Manager

Livia Misiuc
Economic Manager

Statement of the financial position
as of 30 June 2018

lei	**30 iunie 2018**	**1 ianuarie 2018**
ASSETS		
Cash and bank accounts	1,682,121	2,785,781
Deposits at banks	5,927,518	10,159,792
Financial assets at fair value through profit or loss	4,471,523	
Financial assets at amortized cost	2,226,852	2,229,756
Inventories	177,519	193,393
Other assets	804,074	700,273
Tangible and intangible fixed assets	21,998,498	22,082,551
TOTAL ASSETS	**37,288,105**	**38,151,546**
LIABILITIES		
Trade payables	345,672	434,171
Other liabilities	1,137,478	458,470
TOTAL LIABILITIES	**1,483,150**	**892,641**
SHAREHOLDERS' EQUITY		
Paid-in capital	31,887,100	31,887,100
PPE revaluation reserve	11,970,259	12,013,107
Reported result	(8,052,404)	(6,641,302)
TOTAL SHAREHOLDERS' EQUITY	**35,804,955**	**37,258,905**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**37,288,105**	**38,151,546**

Ion Romica Tamas
General Manager

Livia Misiuc
Economic Manager

Statement of changes in shareholders' equity

as of 30 June 2018

lei	Paid-in capital	PPE revaluation reserves	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 of the period	-	-	(784,592)		**(784,592)**
Other comprehensive income					
Profit allocation					
Allocation to legal reserve	-	-			**-**
Transfer from revaluation reserve to retained earnings with depreciation	-	(42,849)	42,849		**-**
Total other comprehensive income	**-**	**(42,849)**	**42,849**	**-**	**-**
Total global result for the period	**-**	**(42,849)**	**(741,743)**	**-**	**(784,592)**
Transactions with shareholders recorded directly in shareholders' equity					
Distributed dividends	-	-	(669,358)		**(669,358)**
Transactions with shareholders recorded directly in shareholders' equity	**-**	**-**	**(669,358)**		**(669,358)**
Balance as of 30 June 2018	**31,887,100**	**11,970,258**	**2,047,068**	**(10,099,471)**	**35,804,955**

Ion Romica Tamas
General Manager

Livia Misiuc
Economic Manager

Cash-flow statements

as of 30 June 2018

lei	30.06.2018	30.06.2017
Cash flow from operating activity:		
Proceeds from clients	4,115,232	3,359,867
Payments to suppliers	-2,791,777	-2,718,764
Payments to employees	-1,230,340	-1,023,387
VAT paid	-45,327	
Other payments to the state budget	-742,693	-876,603
Income tax paid	-35,052	-31,885
Net cash from operating activity	**-729,957**	**-1,290,772**
Cash flow from investing activity:		
Bonds purchase	-2,225,000	
Payments for the purchase of tangible assets	-233,639	-85,492
Bonds collection on maturity	2,225,000	
Payments for the purchase of fund units	-4,999,996	
Proceeds from deposits greater than three months and less than one year	4,675,000	
Received interest	171,572	176,415
Net cash from investment activity	**-387,063**	**90,923**
Cash flow from financing activity:		
Dividend payments	-715	-1,360
Net cash from financing activity	**-715**	**-1,360**
Net (decrease)/ increase in cash and cash equivalents	**-1,117,735**	**-1,201,209**
Cash and cash equivalents at the beginning of the period	**2,785,622**	**3,026,132**
Cash and cash equivalents at the end of the period	**1,667,887**	**1,824,923**

Ion Romica Tamas
General Manager

Livia Misiuc
Economic Manager

Notes to the financial statements

for the period ended 30 June 2018

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.

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 June 30, 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.

The Company is part of SIF Muntenia Group, being its subsidiary. SIF Muntenia prepares consolidated 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).

Specific indicators

Indicator		30.06.2018	30.06.2017
1.	Occupancy rate	43,05%	43,03%
2.	Accommodation-nights	9.718	9.699
3.	Number of rooms	130	130
4.	Average price/room/day(lei)	142	126

2. Basis of preparation

(a) Declaration of compliance

The individual 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. 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.

(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 income 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

Interim individual financial statements are prepared using the fair value convention for financial assets and liabilities at fair value through profit or loss, except those for which the fair value can not be determined reliably.

Other financial assets and liabilities and non-financial assets and liabilities are presented at amortized cost or historical cost.

These financial statements were prepared on a going concern basis.

(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 that are their basis 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.

3. Significant accounting policies

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

The financial statements are prepared on a going concern basis which assumes the Company will continue to operate in the foreseeable future. To assess the applicability of this assumption, the management reviews the forecasts of future cash inflows.

(a) Transactions in foreign currencies

Operations denominated in foreign currencies 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 fate of the statement of the financial position statement 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 currencies are recognized in the statement of comprehensive income.

The exchange rates of the main foreign currencies were:

Currency	30 June 2018	31 December 2017	Variation
Euro (EUR)	4,6611	4,6597	+0,03%
US Dollar (USD)	4,0033	3,8915	+2,87%

b) Registration of 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 financial exercise 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.

Thus, the values expressed in the measuring current unit as of 31 December 2003 are treated as the basis for the accounting values reported in the financial statements and do not represent appraised values, replacement cost, or any other measure of the current value of assets or the prices at which transactions would take place at this moment.

The Company has adjusted the following non-monetary items to be expressed in the measure of current unit at 31 December 2003:

- share capital;
- tangible assets, except for land and buildings.

Land and buildings are stated at the amounts from revaluation at 31 December 2012 and 31 December 2015. The most recent revaluation was performed at 31 December 2015.

(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.

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.

The Standard takes over the provisions of IAS 39 on the Recognition and Derecognition of Financial Instruments.

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.

Notes to the financial statements

for the period ended 30 June 2018

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.

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 new standard 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 or liabilities at fair value through profit or loss account

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. A financial asset or liability is classified in this category if acquired mainly for a speculative purpose or has been designated in this category by the Company's management.

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 positive 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 traded in an active market other than those which 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, held to maturity or financial assets at fair value through profit or loss.

(ii) Recognition

Assets and 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 the initial recognition at fair value plus directly attributable transaction costs, except for financial assets at fair value through profit or loss and equity investments whose fair value cannot be reliably determined, and they are initially recognized at cost.

(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

Starting with 1 January 2013, following the application of IFRS 13 "Fair value measurement", 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 at the valuation date or if no principal market, on the most advantageous market in which the Company has access to that date.

The Company measures the fair value of a financial instrument using quoted prices in an active market for that instrument. A financial instrument has an active market if quoted prices for that instrument are rapidly and regularly available. The category of financial instruments quoted on an active market includes all those instruments admitted to trading on a stock exchange and frequently presents at least 30 transactions during the 30 trading days prior to the evaluation. The market price used to determine fair value is the closing market price on the last trading day before the valuation date.

In the absence of price quotations on an active market, the Company uses valuation techniques based on the analysis of discounted cash flows and other valuation methods commonly used by market participants, making full use of market information, relying as little as possible on company-specific information. The Company uses valuation techniques that maximize the use of observable data and minimizes the use of unobservable inputs.

The value resulting by using a valuation model is adjusted based on a number of factors, due to the fact that valuation techniques do not reliably reflect all the factors considered by market participants when a transaction is performed. Adjustments are recorded to reflect the risk models, differences between quotations for sale and purchase, liquidity risks, as well as other factors.

Financial assets available for sale for which no active market exists and where it is not possible to determine reliably a fair value, given that the Company does not have access to information that would facilitate the application of an alternative valuation technique are valuated at cost and are periodically tested for impairment.

(iv) Identification and evaluation of impairment

Financial assets measured at amortized cost starting with 1 January 2018

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. On initial recognition, the expected lifetime losses on credit are included in the calculation of the effective interest rate.

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 during the entire lifetime as an impairment gain, even if expected lifetime credit loss is less than the amount of expected loss on credit that was included in the cash flows estimated at the initial recognition.

Financial assets carried at amortized cost until 31 December 2017

On conclusion of each financial year, the Company examines whether there is any objective 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 the 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 are objective indications that there has been an impairment loss on financial assets measured 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 financial asset measured at amortized cost has a variable interest rate, the discount rate for measuring any loss from impairment is the current variable interest rate specified in the contract. The carrying amount of the asset is reduced using an adjustment account for impairment. The impairment expense is recognized in profit or loss.

If in a period following an event occurring after the impairment determines the reduction of the impairment loss, the previously recognized impairment loss is reversed using an allowance account for impairment. 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 be resumed from equity accounts and be recognized in the statement of comprehensive income even though the financial asset has not been derecognized yet.

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.

Impairment losses recognized in profit or loss related to certain instrument classified as available for sale cannot be reversed in profit or loss. If, in a subsequent period, the fair value of an impaired instrument 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 stated at fair value as the fair value cannot be reliably measured, or on a derivative asset that is linked or is to be settled through 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 on the market for 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 short-term prospects of the issuer, including any specific adverse events that may influence the operations of the issuer, the issuer's recent losses, the qualified independent auditor's report on the most recent financial statements of the issuer, etc.

Given the inherent limitations of the methodologies applied and the significant uncertainty of the valuation of assets on 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.

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 expire.

The Company derecognizes a financial asset when it transfers between categories of the financial assets available for sale at the end of the reporting period, when there is no active market or where it is not possible to reliably determine a fair value and when the market of the financial asset market becomes active.

(vi) Reclassification of financial assets

The reclassification of a financial asset outside the category of the 'financial assets held for trading" is allowed only in rare circumstances.

Transfer from the category of "financial assets available for sale" under "assets held to maturity" (for debt instruments) is possible if there is a change of intent and/or capacity or the period of contamination passed. The fair value of the asset at the date of transfer becomes its new cost or amortized cost, as applicable. If, after the change in intention or ability, it is no longer appropriate the classification of an asset as "held to maturity", it should be reclassified as "available for sale" and will be revaluated at fair value.

The Company reclassified financial assets only if there was a change in the business model for managing those financial instruments. The Company estimates that such changes are rare. The changes are determined by management as a result of changes in foreign and domestic operations being significant for the Company.

The business model for managing financial assets determines whether their cash flows are achieved by collecting the contractual cash flows, through sale of financial assets or both.

(d) Tangible assets

(i) Recognition and valuation

Tangible assets recognized as an asset 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.

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 financial position statement along with the corresponding accumulated depreciation. Any profit or loss resulting from such operations is included in the current profit or loss.

(e) 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 for 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.

(f) 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.

(g) Impairment of assets other than financial

The carrying amount of the Company's assets that are not financial, other than deferred tax assets, are reviewed 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 of the asset or cash-generating unit. 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.

(h) 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.

(i) 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 with assessors as of 31 December 2015.

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

If the revaluation result is an increase above the net book value, then it is treated as follows: as an increase in the revaluation reserve stated in equity if there was 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 book value, it is treated as an expense 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 achieved 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 capitalized, in which case the revaluation surplus is the gain actually realized.

Starting with 1 May 2009, due to changes in tax legislation, revaluation reserves recorded after 1 January 2004 have become taxable as the respective tangible asset depreciates. Accordingly, the Company recorded a deferred tax liability related to the revaluation which is reflected in the value of the fixed asset.

(j) 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.

(k) 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 it is likely to be required in the future a consumption of economic resources to extinguish this obligation and a reasonable estimate of the obligation can be made. To determine the allowance, future cash flows are discounted using a pre-tax discount rate that reflects current market conditions and risks specific to the liability.

(l) 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".

(m) Employees benefits

(i) Short term benefits

The short-term employee benefits include salaries, bonuses and social security contributions. Obligations with short-term employee benefits are not updated and are recognized as an expense when services are rendered.

(ii) Defined contribution plans

The Company makes payments on behalf of their employees to the Romanian State pension system, health insurance and unemployment fund, in the normal course of business.

All employees of the Company are members and are also legally obliged to contribute (through social contributions) to the Romanian State pension system (a State defined contribution plan). All relevant contributions are recognized in profit or loss when incurred. The Company has no further obligations.

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.

(n) 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 supplied.

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

(o) 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.

(p) 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.

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. At the time of publishing the financial statements ended 31 December 2016 (16 March 2017), the Methodological Norms for the application of the specific tax were not published in the Official Gazette (OG No 266/14.04.2017), this being the reason for which at 31 December 2016 the company recorded a deferred income tax liability on equity elements, for revaluation reserves.

For the financial year ended 31 December 2017, the corporate tax rate was 16% (31 December 2016: 16%). Deferred tax is 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 is 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.

The deferred tax asset is recognized by the Company only to the extent that it is probable that future profits will be available to be used to cover the tax loss. The receivable is reviewed at the end of each financial year and is diminished to the extent that the related tax benefit is unlikely to occur. Additional taxes arising from the distribution of dividends are recognized on the same date as the payment of dividends.

(q) 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.

(r) 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.

(s) 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.

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

A number of new standards, amendments to standards and interpretations are not yet effective as of the interim individual financial statements date and have not been applied in preparing these financial statements:

a) 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 interim financial statements.

b) Amendments to IAS 28: Long-term interests in associates and joint ventures (effective for periods beginning on or after 1 January 2019)

The amendment clarifies that a venture capital fund or mutual fund, investment unit and similar entities may, at their initial recognition, choose to measure the investments in an associate or joint venture at fair value through profit or loss separately for each associate or joint venture. The Company does not consider that these amendments will have a material effect on the individual interim 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 at amortized costs/loans and receivables

Assets carried at amortized cost are evaluated for impairment in accordance with the company's accounting policy.

Assessment for impairment of receivables is made on an individual level and are 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.

Notes to the financial statements

for the period ended 30 June 2018

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 (c) (iv). 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.

5. Revenues from tourism services

	30.06.2018	30.06.2017
Revenues from hotel services	1.384.371	1.225.322
Revenues from catering (restaurant, bar)	2.182.957	1.850.877
Revenues from SPA, playgrounds, various	34.987	51.378
Revenues from rental of conference rooms	179.703	53.383
Total	**3.782.018**	**3.180.960**

6. Third party expenses

	30.06.2018	30.06.2017
Third party expenses	358.932	480.620
Expenses with repairs and maintenance	459.530	391.578
Total	**818.462**	**872.198**

7. Personnel expenses

	30.06.2018	30.06.2017
Wages	1.211.683	854.291
Expenses with social security and social protection	52.252	226.810
Expenses with meal tickets	82.590	79.645
Total	**1.346.525**	**1.160.746**

8. Other expenses

	30.06.2018	30.06.2017
Expenses with taxes and similar	215.860	172.968
Expenses with commissions and fees	42.223	33.654
Postal and telecommunications expenses	24.041	28.119
Marketing expenses	15.674	22.581
Expenses with bank services and similar	11.793	11.427
Expenses with insurance premiums	20.529	18.277
Expenses with electricity	215.825	238.415
Expenses with inventory objects	129.988	-
Expenses with granted donations	9.500	4.500
Travel expenses	6.538	6.491
Expenses with compensations, fines and penalties	640	582
Expenses with royalties, management and rental locations	22.056	16.662
Total	**714.667**	**553.676**

The average number of employees in the firsh half of 2018 was of 74 (30.06.2017: 76), and the effective number of employees as of 30 June 2018 is of 82 (30 June 2017: 84).

Notes to the financial statements

for the period ended 30 June 2018

9. Financial revenues

	30.06.2018	30.06.2017
Revenues from interest received	104.432	133.065
Revenues from FX differences	9.136	14.093
Revenues from discounts	11	
Total	**113.579**	**147.158**

10. Income tax expense

	30.06.2018	30.06.2017
Current income tax		
Expense with the current income tax	20.050	15.194
Expenses with the specific tax	20.244	20.244
Total	**40.294**	**35.438**

11. Financial assets at fair value through profit or loss

	30.06.2018	30.06.2017
Fund units	4.471.523	-
Total	**4.471.523**	**-**

On 05.02.2018 the company subscribed a number of 4,691 fund units issued by FII STAR VALUE, at a unit value of lei 1,065.87, representing a total value of lei 4,999,996.17.
Fund units are classified as financial assets at fair value through profit or loss account (FVTPL) and the differences resulting from their market markings are recorded in profit or loss and other items of comprehensive income.

12. Financial assets at amortized cost

	30.06.2018	30.06.2017
Bonds issued by FIROS S.A.	2.225.000	2.225.000
Accrued interest	1.852	3.780
Total	**2.226.852**	**2.228.780**

With the application of IFRS 9, bonds that were previously classified as loans and receivables and were measured at amortized cost in accordance with IAS 39 are classified as financial assets at amortized cost are measured at amortized cost in accordance with IFRS 9.

The company holds 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 is 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 is calculated starting with the date of the payment of the bonds and is payable every 90 days from the date of each subscription.

FIROS S.A., headquartered in Bucharest, 100 Timisoara Blvd., sector 6, sole registration code 434492 is a subsidiary of SIF Muntenia, which holds 99.69% of the company at 31 December 2017. SIF Muntenia valued its subsidiary and the valued amount as of 31 December 2017 is lei 40.372.544.

13. Cash and current accounts

	30.06.2018	30.06.2017
Current accounts	1.652.311	1.826.769
Cash	15.575	8.153
Other values	14.235	10.352
Total	**1.682.121**	**1.845.274**

The current accounts at banks are always at Company's disposal and are not restricted, except for the amount of 36.102 lei (30.06.2017: 31.255) Lei, representing personnel collateral.

14. Bank deposits

	30.06.2018	30.06.2017
Bank deposits with an initial maturity higher than 3 months and less than a year	5.907.076	10.075.000
Receivables attached	20.442	21.600
Total	**5.927.518**	**10.096.600**

Bank deposits at **30.06.2018**

Deposit account	**Deposit value**		**Deposit period**			**Interest rate**
1	**2**		**3**			**4**
Libra Bank	500.000	LEI	02.04.2018	-	02..04.2019	2,00%
Libra Bank	500.000	LEI	02.04.2018	-	02..04.2019	2,00%
Libra Bank	500.000	LEI	02.04.2018	-	02.04.2019	2,00%
Libra Bank	500.000	LEI	05.04.2018	-	05.04.2019	2,00%
Libra Bank	500.000	LEI	05.04.2018	-	05.04.2019	2,00%
Garanti Bank	500.000	LEI	27.04.2018	-	30.04.2019	2,25%
Garanti Bank	500.000	LEI	27.04.2018	-	30.04.2019	2,25%
Garanti Bank	500.000	LEI	27.04.2018	-	30.04.2019	2,25%
Marfin Bank	500.000	LEI	30.04.2018	-	30.04.2019	2,30%
Marfin Bank	300.000	LEI	30.04.2018	-	30.04.2019	1,80%
Marfin Bank	500.000	LEI	28.06.2018	-	28.06.2019	3,00%
Marfin Bank	500.000	LEI	28.06.2018	-	28.06.2019	3,00%
Total deposits LEI	**5.800.000**					
Marfin Bank	26.747	USD	27.04.2018		29.04.2019	1,80%
Total deposits lei	**5.907.076,27**					

15. Other assets

	30.06.2018	30.06.2017
a) Trade receivables	515.528	455.143
b) Prepayments	199.587	319.993
c) Other receivables	88.959	92.654
Total	**804.074**	**867.790**

a) Trade receivables

	30.06.2018	30.06.2017
Clients	562.620	457.092
Adjustments for impairment of client receivables	(48.536)	(48.299)
Suppliers – debtors for services	1.444	46.350
Total	**515.528**	**455.143**

b) Prepayments

	30.06.2018	30.06.2017
Concession of land – inflated cost	113.034	114.497
Value of concession of land – paid in advance	36.011	36.478
Miscellaneous	8.550	128.593
Marketing fee Best Western	41.992	40.425
Total	**199.587**	**319.993**

c) Other receivables

	30.06.2018	30.06.2017
Receivables from the State budget	31.702	48.657
Various debtors	60.147	46.606
Adjustments for the impairment of various debtors	(7.161)	(7.161)
Receivables for the deferred tax	4.271	4.552
Total	**88.959**	**92.654**

16. Tangible and intangible assets
A. Tangible assets

a) Evolution of tangible assets as of 30.06.2018

lei	Land	Buildings	Technical equipment and vehicles	Other equipment, machinery and furniture	Tangible assets in progress	Total
Gross book value						
31 December 2017	**9.776.617**	**12.295.017**	**1.899.638**	**374.112**	**294.346**	**24.639.728**
Inflow			69.545	88.437		**157.982**
Reversal of cumulated depreciation						
Outflow						
30 June 2018	**9.776.617**	**12.295.017**	**1.969.183**	**462.549**	**294.346**	**24.797.712**
Cumulated depreciation						
31 December 2017		**(725.262)**	**(1.557.270)**	**(290.044)**		**(2.572.577)**
Inflow		(181.187)	(50.871)	(13.397)		**(245.454)**
Reversal of cumulated depreciation						
Outflow						
30 June 2018		**(906.449)**	**(1.608.141)**	**(303.441)**		**(2.818.031)**
Net book value						
31 December 2017	**9.776.617**	**11.569.755**	**342.366**	**84.068**	**294.346**	**22.067.152**
30 June 2018	**9.776.617**	**11.388.568**	**361.040**	**159.108**	**294.346**	**21.979.682**

b) The value of **plots of land** held by the Company as of **30.06.2018** is the revalued amount at 31.12.2015 determined by the independent valuator CMF Consulting S.R.L.

LEI

Land - Location / Property document	Area sqm	Value as of 30.06.2018	Value as of 31.12.2017
Str. Mihail, Gura Humorului, parcela 370/2, CF 6501;Ctr. nr. 2818/2000	687	124.333	124.333
Str. Republicii nr. 18, Gura Humorului; aport natura AA 12/2004	220	39.816	39.816
Parcul Dendrologic Arinis ; aport natura AA 2/1998	8.807	717.251	717.251
Gura Humorului Jud. Suceava; Ctr. 266/02.02.2010	262	47.417	47.417
Parcul Dendrologic Arinis ; aport natura AA 3/1999 si Ctr. de schimb 179/2005	162.678	8.847.800	8.847.800
TOTAL	**172.392**	**9.776.617**	**9.776.617**

Lands in concession, held by the Company as of 30.06.2018**:**

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

c) The Company owned as of **30.06.2018** the following **buildings** valued at revaluated value at 31.12.2015, by the independent valuator CMF Consulting SRL:

	Address of the building	**Acquisition/registration date**	**Value as of 30.06.2018**	**Value as of 31.12.2017**
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	10.392.959	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;	127.871	127.871
6	TISA conference room	Minutes of commissioning no. 1/ 21.10.2005	997.711	997.711
7	Arinis Inn	Minutes of reception no. 543/11.07.2011	292.647	292.647
8	Special constructions (transformer station)	Transfer in 2014 from the account 2131	171.583	171.583
9	Special constructions (river bank protection)	Transfer in 2014 from the account 2131	202.879	202.879
10	Arinis terrace	Minutes of reception 08.2015	109.367	109.367
TOTAL			**12.295.017**	**12.295.017**

d) 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))**:

	30.06.2018	**30.06.2017**
Land	790.322	790.322
Buildings	12.639.381	12.639.381
Total	**13.429.703**	**13.429.703**

e) Evolution of **tangible assets in progress** as of 30.06.2018:

LEI

Tangible assets in progress	Balance at 01.01.2018	Inputs	Receptions	Demolitions	Balance at 30.06.2018
Roads, alleys, stairs, contribution in kind to share capital AA 2/1998, in Arinis (ct.231.2)	72.525				72.525
Assessment, design Arinis objectives (ct.231.33)	211.622				211.622
Arinis Inn, annex (ct.231.37)	10.199				10.199
TOTAL	**294.346**				**294.346**

B. Intangible assets

Other intangible assets amounting to **60.973 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 as of 30.06.2018

in lei	**Intangible assets**
Gross book value	
31 December 2017	**54.315**
Inflows	6.658
Outflows	
30 June 2018	**60.973**
Cumulated depreciation	
31 December 2017	**38.916**
Inflows	3.696
Outflows	
30 June 2018	**42.612**
Net book value	
31 December 2017	**15.399**
30 June 2018	**18.361**

17. Inventories

	30.06.2018	30.06.2017
Food items	131.076	151.996
Raw materials and consumables	38.907	42.766
Packaging	5.722	7.130
Advance payments to inventory suppliers	1.814	5.889
Total	**177.519**	**207.781**

18. Trade payables

	30.06.2018	30.06.2017
Trade payables	234.953	206.863
Advance payments received	110.719	73.963
Total	**345.672**	**280.826**

Notes to the financial statements

for the period ended 30 June 2018

19. Other liabilities

	30.06.2018	30.06.2017
Liabilities to the State budget	57.701	20.262
Creditors and other payables	917.459	781.420
Payables to employees	81.711	56.086
Subsidies for investments	5.633	
Income tax payable	30.269	31.754
Provisions*	44.705	
Total	**1.137.478**	**889.522**

*The provisions as of 30.06.2018 amount to: 44.705 lei provision for unused holidays.

20. Related parties

a) Key management personnel

	30 June 2017	30 June 2018
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

	30 June 2017	30 June 2018
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	Tamas Ion Romica - General Manager Misiuc Livia – Economic Director Ghisovan Stefan – F&B Manager Prosciuc Doina – Sales Manager Simota Analaura-Iuliana – Accommodation Manager

b) Share holdings of the Company's management:

	30 June 2018	31 December 2017
Tamas Romica	99.000	99.000
Misiuc Livia	43.516	43.516
Prosciuc Doina	43.516	43.516
Ghisovan Stefan	1.406	1.406
Simota Analaura-Iuliana	30.352	30.352
Total	**217.790**	**217.790**

c) Transaction with the key management personnel:

	30 June 2018	30 June 2017
Wages paid to management	213.260	201.014
Remunerations paid to the members of the Board of Administrators	25.680	21.240

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 parties that control the company

	30 June 2018	30 June 2017
Dividends distributed to SIF Muntenia (majority shareholder)	447.601	380.461

21. Share capital and reserves

a) Share capital

As of **30.06.2018,** 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

30 June 2018	Numar actiuni	Suma (LEI)	(%)
SIF Muntenia S.A.	111.900.276	11.190.028	66,87
Other shareholders	55.439.324	5.543.932	33,13
Total	**167.339.600**	**16.733.960**	**100,00**

Reconciliation of share capital

	30.06.2018	30.06.2017
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**

b) Dividends

The Ordinary Shareholders General Meeting (OGSM) on 20.04.2018 has approved the Board of Administrators proposal regarding the distribution of a dividend amounting to 0.004 lei/share. The value of gross dividends registered as liability in 2018 was of 669.358,4 lei.

22. 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

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	**30 June 2018**	**30 June 2017**
Bank deposits	5.929.370	10.075.000
Bonds	2.225.000	2.225.000
Total	**8.154.370**	**12.300.000**

The Company does not hold instruments with a variable interest rate. The interest rates on its cash deposits range between 1,8% and 3% for RON-denominated deposits and for the bonds held the interest rate is 4% p.a.

(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 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.

(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.

Generally, the company ensures that it has enough cash to cover its operating expenses.

(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
General Manager

Misiuc Livia
Economic Manager

Piata Republicii nr. 18
Gura Humorului 725300
Județul Suceava
Tel: + 4 0230 207000
Fax + 4 230 207001
E-mail:
actionari@bestwesternbucovina.ro
www.bestwesternbucovina.ro

Statement of responsibility
for the preparation of half-yearly accounting reports
as of June 30, 2018

As administrators of CASA DE BUCOVINA - CLUB DE MUNTE S.A. ("the Company"), in accordance with the provisions of art. 65, alin. (2), letter c from the Law no. 24/2017 and of the art. 223, para. B, alin (1), letter c from the FSA Regulation no. 5/2018, we state that, according to our knowledge, the financial statements as of June 30, 2018 offers a true view, compliant with the reality of assets, liabilities, financial standing, profit and loss account of the Company and that the administrators' report for the first half of 2018 presents in a fair and complete manner the information about the company.

Ion Romica Tamas
Vice-President of the Board of Administrators