casa de Bucovina
club de munte

Piata Republicii nr. 18
Gura Humorului 725300
Judetul 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 FINANCIAL YEAR 2017

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

Yearly report in accordance with:	The provisions of Law no. 24/2017 and NSC Regulation 1/2006
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 paid-up share capital:	16,733,960 lei
Key features of the issued securities:	167,339,600 shares, with a face value of lei 0.1/share
Regulated market on which the securities are traded	Bucharest Stock Exchange
LEI Code	2549003JCE4UBBB88S53

Main financial indicators

Financial results

	2017	2016	variation (%)
Turnover, of which:	**8,260,566**	**8,096,576**	**2.03%**
Revenue from rendered services	3,191,429	3,147,085	1.41%
Revenue from the sale of goods	4,881,353	4,719,392	3.43%
Revenue from other activities	73,058	129,023	-43.38%
Revenue from royalties, management and rental locations	114,726	101,076	13.50%
Operating revenue	8,270,451	8,100,050	2.10%
Operating expenses	7,809,571	7,698,276	1.45%
Operating result	**460,880**	**401,774**	**14.71%**
Net financial result	285,046	328,679	-13.28%
Gross profit	745,926	730,453	2.12%
Net profit	**672,741**	**608,926**	**10.48%**

Balance sheet items

	31.12.2017	31.12.2016	variation (%)
Tangible and intangible assets	22,082,551	22,263,836	-0.81%
Inventories	193,393	182,048	6.23%
Loans and receivables	2,930,029	2,767,402	5.88%
Cash and current accounts with banks	2,785,781	3,026,132	-7.94%
Deposits with banks	10,159,792	9,708,682	4.65%
TOTAL ASSETS	**38,151,547**	**37,948,100**	**0.54%**
Total shareholders' equity	37,258,905	35,219,308	5.79%
Deferred tax liability	-	1,937,734	-100.00%
Trade payables	434,171	397,571	9.21%
Other liabilities	458,470	393,487	16.51%
TOTAL LIABILITIES	**892,641**	**2,728,792**	**-67.29%**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**38,151,547**	**37,948,100**	**0.54%**

1. Analysis of the company's activity

1.1. a) Description of the company's core business

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

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

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

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

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

1.1. b) The company's incorporation date

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

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

In the financial year 2017 the company was not involved in any mergers or reorganization of the company. Casa de Bucovina –Club de Munte SA does not have subsidiaries, nor controlled companies.

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

During the financial year 2017, the company did not acquire or dispose of assets with an individual value of more than EUR 30.000. The company has made CAPEX investments, in accordance with the budget approved by the OGSM on 24 April 2017.

Thereby, for the year 2017 there were budgeted a series of repairs, replacements and facilities to ensure the reduction of the hotel's maintenance expenses or to increase the comfort level of certain areas. The largest part of the investments budget has been allocated to the renovation of 36 bathrooms for the sixth and seventh floors – which had been the reason for most of the recorded complaints. Also, the company had in view changing the carpeting in 36 rooms with renovated bathrooms and the corresponding public spaces. In 2017 restaurant's bathrooms were redecorated and the stairs at the main entrance were repaired. Also, the company invested in the air conditioning of the restaurant, the bar and of the central hall. The budget allocated for these renovations/investments was of lei 702.000.

There were no asset disposals during the reporting period.

1.1.1. Elements of general evaluation:

a) profit: In the year 2017 the company registered a net profit of lei 672.741, 10.5% higher compared to the year 2016.

b) turnover: In the year 2017 the turnover of Casa de Bucovina – Club de Munte SA grew by 2% yoy, reaching lei 8.260.566.

c) export: Not applicable.

d) costs: In the year 2017 the company's operating expenses registered a 1.45% yoy advance (lei 7.809.570), while the total expenses amounted to lei 7.843.684 (+1.7% yoy).

e) % of market share held: The rapid development of the accommodation capacities in Gura Humorului has led to a decrease of the market share held by the company in recent years, from 12.7% in 2015 and 12.3% in 2016, to 11.7% in 2017.

f) liquidity: At the end of 2017 the company's cash, current accounts and deposits with banks amounted to lei 12.945.573, 1.7% higher compared to end-2016.

1.1.2. Evaluation of the company's technical level

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

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

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

New packages were created and promoted:
- vacation offers;
- holydays packages with early booking discounts;
- team-building offers;
- packages for conferences.

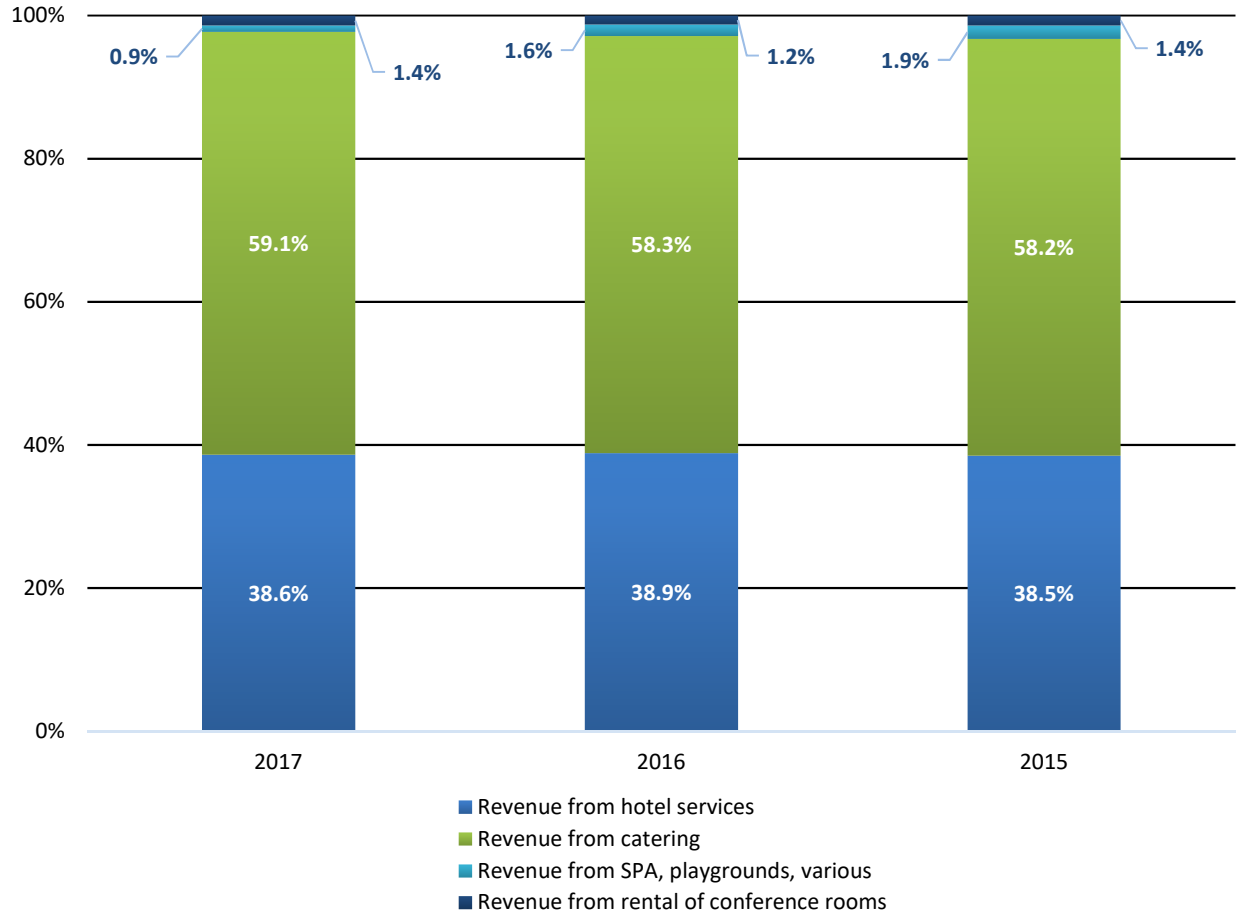
For the segment of events planning, the promotion targeted in particular the medical and the IT fields where the companies have substantial budgets to promote their products.

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

For the domestic market, the company uses both traditional distribution channels – travel agencies, congress organizers, reception, as well as modern and unconventional channels (online OTA, Facebook, SMS marketing).

	2017	2016	2015
Revenue from hotel services	3,191,429	3,147,085	2,719,348
Revenue from catering (restaurant, bar)	4,881,353	4,719,392	4,109,059
Revenue from SPA, playgrounds, various	73,058	129,023	134,656
Revenue from rental of conference rooms	114,726	101,076	96,278
Total	**8,260,566**	**8,096,576**	**7,059,341**

Breakdown of revenues from touristic services



Indicator	31.12.2017	31.12.2016
Occupancy rate	49,9%	48,8%
Accommodation-nights	23,299	22,990
Number of rooms	130	130
Average price/room/day	135.4	135.1

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

In the first quarter of 2017, the tourist market declined compared to the same period last year, amid rapid melting of snow (mid-February) and bad weather in March. This trend continued in the second quarter, when the rainy weather affected the tourist traffic in May and June. Although in the third quarter there was an increase in demand, it barely managed to cover the decrease registered due to the unfavorable weather in the first quarter of the year.

Except for the summer season, when the inflow of foreign tourists becomes significant, the local tourist market (from the Bucovina area) is heavily dependent on the local tourism. In this context, weather conditions become one of the key factors for reaching a high occupancy rate.

In this context, the company applied a strategy of refocusing and "last minute" attraction of the leisure segment, managing an increase in the occupancy rate and maintaining the average rate. Unfortunately, food&beverage revenue from this segment of tourists is lower than in other segments. This change has led to an increase of the occupancy rate, while the average price/room/day remained flat.

On the accommodation segment the revenues registered a small increase, of 0.9% above the budget and of 1.4% above the values registered in 2016. This advance was due to a 1.3% yoy growth of accommodation-nights, while the average rate remained relatively constant, registering a 0.2% yoy hike.

The increase in the number of tourists by 3.8% yoy has also generated a growth in the revenue from the food&beverage segment. This segment registered a 3.4% yoy revenue growth, being 8% higher than those budgeted for this activity segment.

In 2017 the company has registered a 1.3% yoy increase in the number of accommodation-nights. This growth was generated both by individual tourists – due to the company's policy targeted towards this segment, as well as by the groups of leisure/cultural/transit tourism

	Individuals direct	Individuals Online	MICE	Leisure agencies	Special events	Total
Accommodation-nights 2016	3,412	1,394	4,935	11,331	1,918	22,990
Accommodation-nights 2017	3,788	1,724	3,711	12,120	1,956	23,299
Difference 2017/2016	376	330	(1,224)	789	38	309
Variation 2017/2016	11.0%	23.7%	-24.8%	7.0%	2.0%	1.3%
Weight in total 2016	14.8%	6.1%	21.5%	49.3%	8.3%	100%
Weight in total 2017	16.3%	7.4%	15.9%	52.0%	8.4%	100%

The highest growth was registered on the individual clients (direct and online) segments. This is the result of the company's efforts to develop the individual clients segment and to attract them directly.

According to the decision of the Extraordinary General Shareholders Meeting on 18.06.2015, the Board of Administrators was empowered to take all steps to set up a company or to acquire a stake of shares in a company that is or may be authorized to provide services specific to travel agencies. The empowerment was given under certain conditions, namely: i) CASA DE BUCOVINA – CLUB DE MUNTE would hold at least 99% of the number of shares issued by the subsidiary; ii) the budget allocated for the incorporation/acquisition (including obtaining authorizations, working capital, etc.) shall not exceed the equivalent in lei of EUR 16,000.

The incorporation of a travel agency could lead to the development of the company's portfolio of clients, as well as to the development of travel products complementary to the hotel activity, thus enabling the generation of additional revenue and increasing the profitability of the business. Also, the setup of a travel agency could support the development of the company's activity, both in terms of business tourism (participation in tenders for organizing events, training sessions, developing corporate customer relationships), as well as cultural and leisure tourism (to tourists outside Romania, highlighting both the tourism potential of the area and the offered SPA services).

Considering the complexity of the incorporation of a travel agency, the investment horizon, the marketing plan required for promotion and the necessary investments, the company considers that such a project can only be carried out by treating it as an independent project, with a business plan drawn up by a specialist in the field and with a budget exceeding the budget approved by the shareholders.

Until the end of 2017, the preparation of the business plan was not completed and no solutions were found for setting up a travel agency under the terms established in the EGSM from 18.06.2015. The Board of Administrators of Casa de Bucovina – Club de Munte will inform investors in case opportunities for the development of such an operator would arise.

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

1.1.3. Evaluation of the supply activity

Compared to previous years when the main suppliers of raw materials and consumables of the company were primarily the wholesale distributors of food products and cash&carry stores (Metro, Selgros, Auchan, Carrefour), in 2017 the company continued the program of developing a relationship with local producers for the food raw products – meat and dairy. This is how the company has managed to ensure the refrigerated raw foods in a larger proportion, thus increasing the quality of its products. The inventories of raw materials have a reduced size, thus determining a good inventories turnover. During the analyzed period there was an average increase in purchase prices of 3.2%.

1.1.4. Evaluation of the sales activity

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

Indicators	Romanian	Foreign	Total
Tourists 2016	20,805	15,979	36,784
Tourists 2017	22,347	15,844	38,191
% weight in total 2016	56.6%	43.4%	100.0%
% weight in total 2017	58.5%	41.5%	100.0%
Variation 2017/2016	7.4%	-0.8%	3.8%

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

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

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

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

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

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

In Gura Humorului the accommodation capacity increased from 1.022 rooms in 2015 to 1.058 rooms in 2016 and 1.112 rooms in 2017. Considering this data, the market share of Casa de Bucovina –Club de Munte SA was of 12.7% in 2015, 12.3% in 2016 and 11.7% in 2017.

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

By analyzing the contribution to the revenue from each segment of clientele as well as and the nationality distribution statistics in the significant segment (leisure group), it is observed that the company is not

dependent on a single customer segment or destination, whose loss would have a negative impact on revenues.

1.1.5. Evaluation of the company's employees/personnel

Regarding human resources, on 31.12.2017 compared to 2016, the evolution and personnel breakdown was as follows:

	No. of personnel		Weight in total personnel	
	2017	2016	2017	2016
Total personnel hotel and leisure, of which:	46	47	61%	57%
- accommodation	17	17	23%	21%
- food&beverage	28	28	37%	34%
- SPA	1	2	1%	2%
Maintenance, repairs, transport, ancillary, production personnel	22	28	29%	34%
TESA personnel	7	7	9%	9%
Total	**75**	**82**	**100%**	**100%**

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

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

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

The company's activity has no decisive impact on the environment, but the company has applied for environmental authorization from the Ministry of Environment and Sustainable Development and from the National Agency for Environmental Protection – Suceava Agency for Environmental Protection, under Law no 265/29.06.2006 regarding the environmental protection and under GD no 459/2005 regarding the organization and operation of NAEP. The company obtained the environmental authorization no 403/30.08.2007.

1.1.7. Evaluation of the research and development activity

No research and development activities are performed within the company.

1.1.8. Evaluation of the company's risk management

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

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

Interest rate risk
At 31 December 2017 and 31 December 2016, a significant weight of the company's assets 3,24% (2016: 31,41%) is interest-bearing, cash and cash equivalents are generally invested at a short-term interest rate. The company does not hold financial instruments with a variable interest risk. The interest

rates on its cash deposits range between 1,39% and 2,00% for deposits denominated in lei and for the bonds held the interest rate is 4% p.a.

Currency risk
The company is exposed to currency risk due to fluctuations of the currency exchange rates, as approx. 50% of the operating revenues is received under contract with EUR-denominated prices, with no specific clauses to cover the potential risk of this nature. These contracts have as beneficiaries Romanian travel agencies that are only intermediaries and cannot assume currency fluctuation risks. Most of the company's financial assets and liabilities are denominated in national currency.

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

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

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

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

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

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

Operational risk
The operational risk is defined as the risk of recording losses or failure to achieve the estimated profits due to internal factors such as the inappropriate conduct of internal activities, the existence of inadequate personnel or systems, or due to external factors such as economic conditions, changes on the capital market or technological progress. The operational risk is inherent in all of the company's activities.

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

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

1.1.9. Elements of perspective on the company's activity

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

For 2018 the company does not foresee the occurrence of factors of macroeconomic uncertainty nor trends of reduction of tourist traffic that could have a significant impact on the company's activity and liquidity.

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

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

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

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

Not applicable

2. The company's tangible assets

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

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 into 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.

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

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

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

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

At 31.12.2017 the company has not identified potential issues related to the ownership of its tangible assets.

All land and buildings owned by the company are registered.

3. The company's securities market

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

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

Information on the trading of BCM shares in 2017 compared with 2016 and 2015 is presented in the table below:

	2017	2016	2015
Total volume (shares)	15.038.466	972.443	1.903.157
Turnover (lei)	1.095.944	69.819	147.897
Average price (lei/share)	0,0729	0,0718	0,0777
Minimum price (lei/share)	0,0630	0,0684	0,0700
Maximum price (lei/share)	0,0850	0,0790	0,0890

At the end of the years 2017 and 2016 the shareholding structure of Casa de Bucovina – Club de Munte SA was the following:

	31.12.2017		31.12.2016	
	Number of shares	(%)	Number of shares	(%)
SIF Muntenia S.A.	111.900.276	66,87	111.900.276	66,87
Legal persons	38.442.204	22,97	42.243.714	25,24
Natural persons	16.997.120	10,16	13.195.610	7,89
Total	**167.339.600**	**100,00**	**167.339.600**	**100,00**

SIF Muntenia SA, as majority shareholder, is considered to be a company affiliated with Casa de Bucovina - Club de Munte SA. Except for the dividends granted during the year 2017, there were no other transactions between the two entities or between Casa de Bucovina - Club de Munte SA and companies in the SIF Munenia group.

3.2. Description of the company's dividend policy. Specification of dividends due / paid / accrued in the last three years and, if applicable, the reasons for the potential decrease of dividends during the last three years.

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

During the last four years Casa, de Bucovina - Club de Munte SA has paid dividends, according to the table below:

lei	2013*	2014	2015**	2016
Net profit	620,463	620,507	518,751	608,926
Dividends	1,336,392.8	552,220.7	502,018.8	568,954.6
Gross dividend/share	0.008	0.0033	0.003	0.0034

** According to GSM decision from 30.04.2014, the total value of the profit to be distributed included both the profit to be distributed for the financial year 2013, as well as the and undistributed retained earnings as per GSM decision from 23.04.2013 (lei 809.019)*

*** According to GSM decision from 29.04.2016, the total value of the profit to be distributed included both the profit to be distributed for the financial year 2015, as well as the undistributed retained earnings for the financial year 2013 (lei 63.178) and the undistributed retained earnings for the financial year 2014 (lei 30.459)*

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

In 2017 the company did not acquire its own shares.

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

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

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

Casa de Bucovina – Club de Munte SA has not issued bonds and/or other debt securities during the year 2017.

3.6. Corporate governance

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

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

The Board of Administrators of Casa de Bucovina – Club de Munte has met 11 times in 2017 to analyze the activity of the company and its development perspectives.

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

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

In the 14 June 2016 meeting, the Board of Administrators has decided to establish the Audit Committee and the Remuneration Committee. The Audit Committee has met three times in 2017, while the Remuneration Committee has met twice in 2017. 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 remuneration policy of the company, in accordance with the BSE's Code of Corporate Governance is under preparation and approval by the company's Board of Administrators.

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

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

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

4. Company management

4.1. The Board of Administrators

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

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

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

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

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

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

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

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

4.2. The executive management of the company

In 2017 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 (starting with 12.02.2017, previously this position was held by Claudia Pascovici, who resigned);
- Accommodation Manager – Permanent contract - Simota Analaura – Iuliana.

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

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

- Ion Romica Tamas: 99.000 shares;
- Livia Misiuc: 43.516 shares;
- Doina Prosciuc: 43.516 shares;
- Ghisovan Stefan- Vasile: 1.406 shares;
- Claudia Pascovici: 70.703 shares;
- Simota Analaura – Iuliana: 30.352 shares.

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

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

5. Economic and financial position

5.1. Financial statements

The financial statements at 31 December 2017 have been prepared in accordance with Finance Ministry Order no.2844/12.12.2016 for the approval of Accounting Regulations in accordance with the International Financial Reporting Standards applicable to companies whose securities are admitted to trading on a regulated market. The transition date to the International Financial Reporting Standards was 1 January 2011.

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

The table below shows the evolution of balance sheet items at 31.12.2017, compared to the balance sheet items at 31.12.2016 and 31.12.2015:

lei	**31 December 2017**	**31 December 2016**	**31 December 2015**
Assets			
Tangible and intangible assets	22,082,551	22,263,836	22,699,958
Inventories	193,393	182,048	182,186
Loans and receivables	2,930,029	2,767,402	2,841,498
Cash and current accounts with banks	2,785,781	3,026,132	786,387
Deposits with banks	10,159,792	9,708,682	11,215,277
Total assets	**38,151,547**	**37,948,100**	**37,725,305**
Liabilities			
Deferred tax liability	0	1,937,734	1,953,775
Trade payables	434,171	397,571	334,513
Other liabilities	458,470	393,487	338,332
Total liabilities	**892,641**	**2,728,792**	**2,626,620**
Shareholders' equity			
Paid-up capital	31,887,100	31,887,100	31,887,100
PPE revaluation reserve	12,013,107	10,162,996	10,234,982
Reported result	-6,641,302	-6,830,788	-7,023,397
Total shareholders' equity	**37,258,905**	**35,219,308**	**35,098,685**
Total shareholders' equity and liabilities	**38,151,547**	**37,948,100**	**37,725,305**

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

lei	2017	2016	2015
Revenue from touristic services	8,260,566	8,096,576	7,059,341
Other revenues	9,885	3,474	22,718
Raw materials and consumables used	(1,138,832)	(1,353,045)	(1,100,987)
Costs of goods sold	(1,737,512)	(1,713,995)	(1,504,710)
Third party expenses	(1,127,279)	(1,102,266)	(958,269)
Personnel costs	(2,594,290)	(2,293,542)	(1,967,996)
Depreciation and impairment of fixed assets	(468,537)	(454,288)	(519,376)
Other expenses	(743,121)	(781,140)	(657,471)
Operating profit	**460,880**	**401,774**	**373,250**
Financial revenues	285,046	328,679	264,692
Profit before taxes	**745,926**	**730,453**	**637,942**
Income tax expense	(73,185)	(121,527)	(119,191)
Profit for the financial year	**672,741**	**608,926**	**518,751**

In 2017, the company registered a 2.1% yoy rise in operating revenues, due to the growth of both the revenues from services (+1.4% yoy), but also the revenues from the sale of goods (+3.4 yoy). Operating expenses had a similar dynamic as the revenues, of +1.4% yoy. The main cause of the increase in operating expenses was the growth of personnel costs (+13.1% yoy), mainly due to the increase of the mandatory minimum wage. This increase was partially mitigated by a 15.8% reduction in the expenses with raw materials and consumable used.

Thus, the operating profit went up by 14.7% yoy, from approx. lei 0.4mn in 2016 to lei 0.46mn in the current period. The financial result amounted to a profit of approx. lei 0.29mn, 13.3% lower yoy, which, together with the increase in the operating profit, lead to a 2.1% yoy rise in the gross profit, to lei 0.75mn, 2.5% higher than budgeted for this year. Also, the company's net profit rose from approx. lei 0.61mn in 2016 to approx. lei 0.67mn in the current period (+10.5% yoy).

	31 December 2017	31 December 2016
I. Cash flow from operating activities		
1 – Gross result	**745.926**	**730.453**
2 - Adjustments for non-cash items and other items included in investing or financing activities, of which:	***708.465***	***601.548***
2.1. Depreciation of fixed assets	468.537	454.288
2.2. Provisions for risks and charges	37.102	6.865
2.3. Impairments of current assets	237	8.896
2.4. Maintenance costs and revenues from the disposal of assets	451.814	391.705
2.5. Interest income	(276.575)	(320.211)
2.6. Adjustments for other non-cash items	87.870	60.004
3 - Changes in working capital during the period, of which:	***(60.844)***	***185.004***
3.1. (Increase) / Decrease in balances of trade receivables and other receivables	(157.366)	66.653
3.2. (Increase) / Decrease in inventory balances	(11.345)	138
3.3. Increase / (Decrease) in trade payables balances and other liabilities	67.656	118.213
4. Income tax paid	***(82.556)***	***(115.192)***
Net cash from operating activities (A)	**1.310.991**	**1.401.994**

	31 December 2017	31 December 2016
II. Cash flows from investing activities		
5 – cash payments for the acquisition of tangible and intangible assets, including improvements	(840.440)	(499.767)
6 – cash receipts from interest and similar	276.575	320.211
7 – cash receipts from tangible assets disposal	3.570	
Net cash from investing activities (B)	**(560.294)**	**(179.556)**
III. Cash flow from financing activities		
8 - cash payments of dividends to shareholders	(559.132)	(511.677)
9 – Net placements on deposits with a maturity over three months and less than one year	(432.030)	(4.142.970)
Net cash from financing activities (C)	**(991.161)**	**(4.654.647)**
Cash flows - Total (A + B + C)	**(240.465)**	**(3.432.209)**
Cash at beginning of period	**3.026.087**	**6.458.296**
Cash at end of period	**2.785.622**	**3.026.087**

5.2. Liquidity, risk and management indicators

Liquidity indicators		**2017**	**2016**
Current liquidity	Current assets / Current liabilities	20,26	21,40
Quick liquidity – acid test	(Current assets-Inventories) / Current liabilities	20,02	21,15
Risk indicators		**2017**	**2016**
Indebtedness	Debt / Equity*100	n/a	n/a
Interest coverage ratio	EBIT / Interest costs	n/a	n/a
Management indicators			**2016**
Inventory turnover	COGS / Average inventory	8,98	9,41
Days of storage	Average inventory / COGS *365	39,43	38,76
Clients turnover (days)	Average clients balance / Turnover *365	13,13	8,81
Trade payables turnover (days)	Average suppliers balance / Acquired goods (without services)*365	25,72	29,05
Fixed assets turnover	Turnover / Fixed assets	0,37	0,36
Total assets turnover	Turnover / Total assets	0,22	0,21

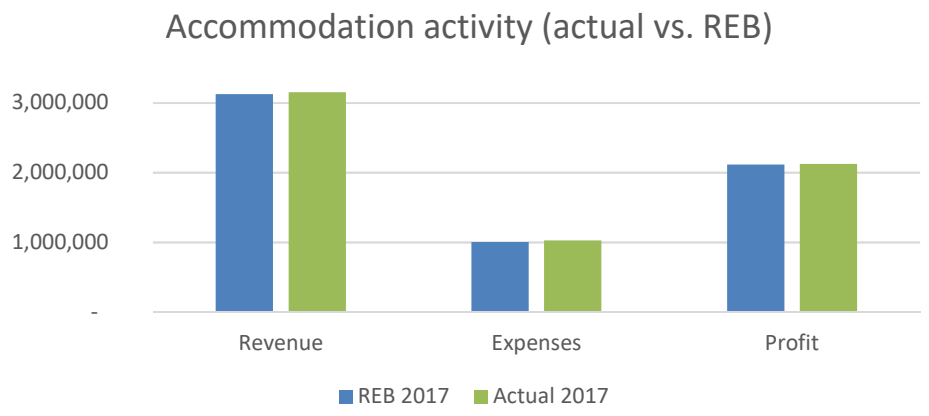
5.3. Revenues and Expenditures Budget Execution

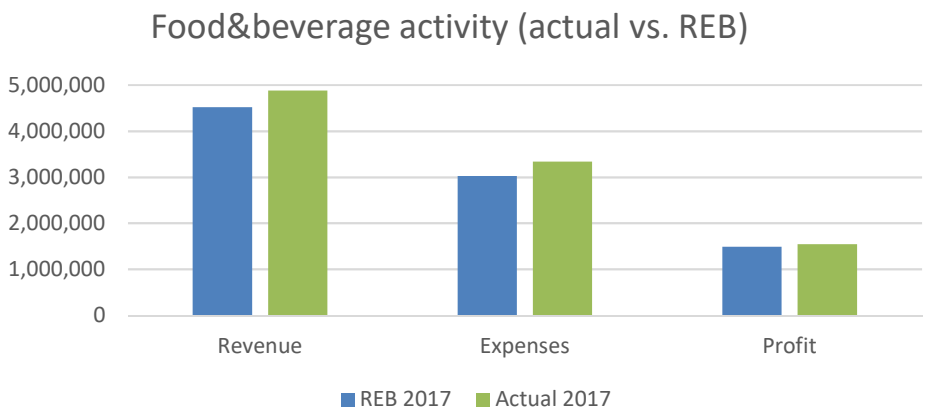
The main financial indicators registered in 2017, compared with the 2017 REB are presented in the following table:

	REB 2017	Actual 2017	Actual 2016	Actual vs. REB	2017 vs. 2016
Accommodation activity					
Revenue	3,124,670	3,153,932	3,108,113	100.94	101.47
Personnel, material and services costs	1,007,392	1,028,862	836,985	102.13	122.92
Profit/loss	**2,117,278**	**2,125,071**	**2,271,128**	**100.37**	**93.57**

	REB 2017	Actual 2017	Actual 2016	Actual vs. REB	2017 vs. 2016
Food & beverage activity					
Revenue	4,518,027	4,881,387	4,715,042	108.04	103.53
Personnel, material and services costs	3,026,737	3,338,861	3,049,292	110.31	109.50
Profit/loss	**1,491,290**	**1,542,526**	**1,665,750**	**103.44**	**92.60**
Other activities					
Revenue	264,500	225,349	272,021	85.20	82.84
Personnel, material and services costs	153,550	159,606	256,395	103.94	62.25
Profit/loss	**110,950**	**65,743**	**15,626**	**59.25**	**420.73**
Undistributed general expenses					
General & Administration	584,318	661,949	798,853	113.29	82.86
Repairs, maintenance	313,836	306,360	259,841	97.62	117.90
Utilities	488,000	488,577	518,138	100.12	94.29
Commercial & Marketing	230,571	243,142	255,794	105.45	95.05
Total undistributed general expenses	**1,616,725**	**1,700,028**	**1,832,626**	**105.15**	**92.76**
Profit/loss from total activity (GOP)	**2,102,794**	**2,033,311**	**2,119,878**	**96.70**	**95.92**
Operating result	**472,594**	**460,880**	**401,774**	**97.52**	**114.71**
Financial result	**255,000**	**285,046**	**328,679**	**111.78**	**86.72**
Gross profit	**727,594**	**745,926**	**730,453**	**102.52**	**102.12**

** GOP – gross operating profit*





6. Annexes

Corporate Governance Declaration

Statement of conformity

Financial statements at 31.12.2017

The auditor's report for the financial statements at 31.12.2017

Notes to the financial statements at 31.12.2017

7. Signatures

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

Status of compliance with the provisions of the new BSE Corporate Governance Code as of 31 December 2017

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

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

Code provisions	Complies	Does not comply or partially complies	Observations
A.9. The corporate governance statement should contain information on the number of meetings of the Board and the committees during the past year, attendance by directors (in person and in absentia) and a report of the Board and committees on their activities.	X		The information is included in the annual report presented to the General Shareholders Meeting.
A.10. The corporate governance statement should contain information on the precise number of the independent members of the Board of Directors.	X		The information is included in the annual report presented to the General Shareholders Meeting.
A.11. The Board of Premium Tier companies should set up a nomination committee formed of non-executives, which will lead the process for Board appointments and make recommendations to the Board. The majority of the members of the nomination committee should be independent.		X	The Board of Administrators has assumed the charges of the nomination committee, to evaluate the candidates for position of member of BoA and to make recommendations to the GSM for their appointment
SECTION B - RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM			
B.1 The Board should set up an audit committee, and at least one member should be an independent non-executive. In the case of Premium Tier companies, the audit committee should be composed of at least three members and the majority of the audit committee should be independent.	X		
B.2. The audit committee should be chaired by an independent non-	X		

Code provisions	Complies	Does not comply or partially complies	Observations
executive member.			
B.3. Among its responsibilities, the audit committee should undertake an annual assessment of the system of internal control.		X	Implementation pending
B.4. The assessment should consider the effectiveness and scope of the internal audit function, the adequacy of risk management and internal control reports to the audit committee of the Board, management's responsiveness and effectiveness in dealing with identified internal control failings or weaknesses and their submission of relevant reports to the Board.		X	The company intends to make the necessary efforts to comply
B.5. The audit committee should review conflicts of interests in transactions of the company and its subsidiaries with related parties.		X	The company intends to make the necessary efforts to comply
B.6. The audit committee should evaluate the efficiency of the internal control system and risk management system.	X		
B.7. The audit committee should monitor the application of statutory and generally accepted standards of internal auditing. The audit committee should receive and evaluate the reports of the internal audit team.	X		
B.8. Whenever the Code mentions reviews or analysis to be exercised by the Audit Committee, these should be followed by periodical (at least	X		

Code provisions	Complies	Does not comply or partially complies	Observations
annual), or ad-hoc reports to be submitted to the Board afterwards.			
B.9. No shareholder may be given undue preference over other shareholders with regard to transactions and agreements made by the company with shareholders and their related parties.	X		
B.10. The Board should adopt a policy ensuring that any transaction of the company with any of the companies with which it has close relations, that is equal to or more than 5% of the net assets of the company (as stated in the latest financial report), should be approved by the Board following an obligatory opinion of the audit committee.	X		
B.11. The internal audits should be carried out by a separate structural division (internal audit department) within the company or by retaining an independent third-party entity.	X		
B.12. To ensure the fulfillment of the core functions of the internal audit department, it should report functionally to the Board via the audit committee. For administrative purposes and in the scope related to the obligations of the management to monitor and mitigate risks, it should report directly to the chief executive officer.	X		
SECTION C - FAIR REWARDS AND MOTIVATION			
C.1. The company should publish a		X	Pending implementation

Code provisions	Complies	Does not comply or partially complies	Observations
remuneration policy on its website and include in its annual report a remuneration statement on the implementation of this policy during the annual period under review. Any essential change of the remuneration policy should be published on the corporate website in a timely fashion.			
SECTION D - BUILDING VALUE THROUGH INVESTORS' RELATIONS			
D.1. The company should have an Investor Relations function - indicated, by person (s) responsible or an organizational unit, to the general public. In addition to information required by legal provisions, the company should include on its corporate website a dedicated Investor Relations section, both in Romanian and English, with all relevant information of interest for investors, including:	X		
D.1.1. Principal corporate regulations: the articles of association, general shareholders' meeting procedures;	X		
D.1.2. Professional CVs of the members of its governing bodies, a Board member's other professional commitments, including executive and non-executive Board positions in companies and not-for-profit institutions;	X		
D.1.3. Current reports and periodic reports (quarterly, semi-annual and annual reports);	X		
D.1.4. Information related to general	X		

Code provisions	Complies	Does not comply or partially complies	Observations
meetings of shareholders;			
D.1.5. Information on corporate events;	X		
D.1.6. The name and contact data of a person who should be able to provide knowledgeable information on request;	X		Shareholders can request information by using the e-mail adress actionari@bestwesternbucovina.ro
D.1.7. Corporate presentations (e.g. IR presentations, quarterly results presentations, etc.), financial statements (quarterly, semiannual, annual), auditor reports and annual reports.	X		
D.2. A company should have an annual cash distribution or dividend policy. The annual cash distribution or dividend policy principles should be published on the corporate website.		X	
D.3. A company should have adopted a policy with respect to forecasts, whether they are distributed or not. The forecast policy should be published on the corporate website.		X	The company intends to make the necessary efforts to comply
D.4. The rules of general meetings of shareholders should not restrict the participation of shareholders in general meetings and the exercising of their rights. Amendments of the rules should take effect, at the earliest, as of the next general meeting of shareholders.	X		
D.5. The external auditors should attend	X		

Code provisions	Complies	Does not comply or partially complies	Observations
the shareholders' meetings when their reports are presented there.			
D.6. The Board should present to the annual general meeting of shareholders a brief assessment of the internal controls and significant risk management system, as well as opinions on issues subject to resolution at the general meeting.	X		
D . 7. Any professional, consultant, expert or financial analyst may participate in the shareholders' meeting upon prior invitation from the Chairman of the Board. Accredited journalists may also participate in the general meeting of shareholders, unless the Chairman of the Board decides otherwise.	X		
D.8. The quarterly and semi-annual financial reports should include information in both Romanian and English regarding the key drivers influencing the change in sales, operating profit, net profit and other relevant financial indicators, both on quarter-on-quarter and year-on-year terms.	X		
D.9. A company should organize at least two meetings/conference calls with analysts and investors each year. The information presented on these occasions should be published in the IR section of the company website at the time of the meetings/conference calls.		X	The company intends to make the necessary efforts to comply
D.10. If a company supports various forms of artistic and cultural expression,		X	The Company does not have yet a policy guiding the supporting of various forms of artistic and

Code provisions	Complies	Does not comply or partially complies	Observations
sport activities, educational or scientific activities, and considers the resulting impact on the innovativeness and competitiveness of the company part of its business mission and development strategy, it should publish the policy guiding its activity in this area.			cultural expression, sport activities, educational or scientific activities

Casa de Bucovina – Club de Munte S.A.

Financial Statements
31 December 2017

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

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

Contents

Statement of comprehensive income

at 31 December 2017

in lei	Note	2017	2016
Revenue from touristic services	5	8.260.566	8.096.576
Other revenues		9.885	3.474
Raw materials and consumables used		(1.138.832)	(1.353.045)
Costs of goods sold		(1.737.512)	(1.713.995)
Third party expenses	6	(1.127.279)	(1.102.266)
Personnel costs	7	(2.594.290)	(2.293.542)
Depreciation and impairment of fixed assets		(468.537)	(454.288)
Other expenses	8	(743.121)	(781.140)
Operating profit		**460.880**	**401.774**
Financial revenues	9	285.046	328.679
Profit before taxes		**745.926**	**730.453**
Income tax expense	10	(73.185)	(121.527)
Profit for the financial year		**672.741**	**608.926**
Other comprehensive income			
Items that are or can be transferred in profit or loss			
Increase/ (decrease) in revaluation reserve of tangible assets, net of deferred tax		13.712	13.712
Total comprehensive income for the period		**686.453**	**622.638**
Earnings per share	11		
Basic		**0,004**	**0,004**
Diluted		**0,004**	**0,004**

The individual financial statements were approved by the Board of Administrators on 13 March 2018.

Tamas Ion Romica
General Manager

Misiuc Livia
Economic Manager

The notes on pages 6 to 38 are part of the financial statements.

Statement of financial position

for the financial year ended 31 December 2017

in lei	Note	31 December 2017	31 December 2016
Assets			
Cash and current accounts with banks	12	2.785.781	3.026.132
Deposits with banks	13	10.159.792	9.708.682
Loans and receivables	14	2.930.029	2.767.402
Tangible and intangible assets	15	22.082.551	22.263.836
Inventories	16	193.393	182.048
Total assets		**38.151.547**	**37.948.100**
Liabilities			
Deferred tax liability	17	-	1.937.734
Trade payables	18	434.171	397.571
Other liabilities	19	458.470	393.487
Total liabilities		**892.641**	**2.728.792**
Shareholders' equity			
Paid-up capital		31.887.100	31.887.100
PPE revaluation reserve		12.013.107	10.162.996
Reported result		(6.641.302)	(6.830.788)
Total shareholders' equity	20	**37.258.905**	**35.219.308**
Total shareholders' equity and liabilities		**38.151.547**	**37.948.100**

Tamas Ion Romica
General Manager

Misiuc Livia
Economic Manager

The notes on pages 6 to 38 are part of the financial statements.

Statement of changes in shareholders' equity

for the financial year ended 31 December 2017

in lei	Paid-up capital	PPE revaluation reserves	Reported result	Reported result from the first-time adoption of IAS 29	Total shareholders' equity
Balance as of 1 January 2017	**31.887.100**	**10.162.997**	**3.268.682**	**(10.099.471)**	**35.219.308**
Total comprehensive income for the period					
Net result for the period			672.741		672.741
Other comprehensive income					
Allocation to legal reserve					
Derecognition of the deferred tax for the PPE revaluation reserves		1.935.808			1.935.808
Transfer of revaluation reserve to reported result on depreciation		(85.698)	85.698		-
Total other comprehensive income		**(1.850.110)**	**85.698**		**1.935.808**
Total comprehensive income for the period		**(1.850.110)**	**758.439**		**2.608.549**
Transactions with shareholders recorded directly in shareholders' equity					
Dividends distributed			(568.952)		(568.952)
Loss covered with equity instruments					
Transactions with shareholders recorded directly in shareholders' equity			**(568.952)**		**(568.952)**
Balance as of 31 December 2017	**31.887.100**	**12.013.107**	**3.458.169**	**(10.099.471)**	**37.258.905**

Statement of changes in shareholders' equity

for the financial year ended 31 December 2016

in lei	Paid-up capital	PPE revaluation reserves	Reported result	Reported result from the first-time adoption of IAS 29	Total shareholders' equity
Balance as of 1 January 2016	**31.887.100**	**10.234.982**	**3.076.074**	**(10.099.471)**	**35.098.685**
Total comprehensive income for the period					
Net result for the period			608.926		608.926
Other comprehensive income					
Allocation to legal reserve					
Allocation to other reserves					
Increases in PPE revaluation reserve, net of deferred tax		13.712			13.712
Transfer of revaluation reserve to reported result on depreciation		(85.698)	85.698		
Total other comprehensive income		**(71.986)**	**85.698**		**13.712**
Total comprehensive income for the period		**(71.986)**	**694.623**		**622.456**
Transactions with shareholders recorded directly in shareholders' equity					
Dividends distributed			(573.355)		(573.355)
Loss covered with equity instruments			71.340		71.340
Transactions with shareholders recorded directly in shareholders' equity			**(502.015)**		**(502.015)**
Balance as of 31 December 2016	**31.887.100**	**10.162.997**	**3.268.682**	**(10.099.471)**	**35.219.308**

Tamas Ion Romica
General Manager

Misiuc Livia
Economic Manager

The notes on pages 6 to 38 are part of the financial statements.

Cash Flow Statement

for the financial year ended 31 December 2017

	Note	31 December 2017	31 December 2016
I. Cash flow from operating activities			
1 – Gross result		**745.926**	**730.453**
2 - Adjustments for non-cash items and other items included in investing or financing activities, of which:		***708.465***	***601.548***
2.1. Depreciation of fixed assets		468.537	454.288
2.2. Provisions for risks and charges		37.102	6.865
2.3. Impairments of current assets		237	8.896
2.4. Maintenance costs and revenues from the disposal of assets		451.814	391.705
2.5. Interest income	**9**	(276.575)	(320.211)
2.6. Adjustments for other non-cash items		87.870	60.004
3 - Changes in working capital during the period, of which:		***(60.844)***	***185.004***
3.1. (Increase) / Decrease in balances of trade receivables and other receivables		(157.366)	66.653
3.2. (Increase) / Decrease in inventory balances		(11.345)	138
3.3. Increase / (Decrease) in trade payables balances and other liabilities		67.656	118.213
4. Income tax paid		***(82.556)***	***(115.192)***
Net cash from operating activities (A)		**1.310.991**	**1.401.994**
II. Cash flows from investing activities			
5 – cash payments for the acquisition of tangible and intangible assets, including improvements		(840.440)	(499.767)
6 – cash receipts from interest and similar		276.575	320.211
7 – cash receipts from tangible assets disposal		3.570	
Net cash from investing activities (B)		**(560.294)**	**(179.556)**
III. Cash flow from financing activities			
8 - cash payments of dividends to shareholders		(559.132)	(511.677)
9 – Net placements on deposits with a maturity over three months and less than one year	**13**	(432.030)	(4.142.970)
Net cash from financing activities (C)		**(991.161)**	**(4.654.647)**
Cash flows - Total (A + B + C)		**(240.465)**	**(3.432.209)**
Cash at beginning of period		**3.026.087**	**6.458.296**
Cash at end of period		**2.785.622**	**3.026.087**

Cash and cash equivalents include:

in LEI	*Note*	31 December 2017	31 December 2016
Cash on hand		26.083	24.129
Current accounts with banks		2.759.539	3.001.958
Total cash and cash equivalents	**12**	**2.785.622**	**3.026.087**

Tamas Ion Romica
General Manager

Misiuc Livia
Economic Manager

The notes on pages 6 to 38 are part of the financial statements.

Notes to the financial statements

For the financial year ended 31 December 2017

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 31 December 2017, 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).

In accordance with Regulation no. 1.606/2002 of the European Parliament and the EU Council Regulation as of 19 July 2002 and FSA Rule no.39/2015, SIF Muntenia shall prepare consolidated financial statements in accordance with International Financial Reporting Standards adopted by the European Union for the financial year ended 31 December 2017. The consolidated financial statements as of 31 December 2016 can be found on the SIF Muntenia's website www.sifmuntenia.ro. Consolidated financial statements as of 31 December 2017 will be drafted, approved and prepared until 30 April 2018.

Specific indicators

Indicator	31.12.2017	31.12.2016
1. Occupancy rate	49,9%	48,8%
2. Accommodation-nights	23.299	22.990
3. Number of rooms	130	130
4. Average price/room/day(lei)	135,4	135,1

3B Expert Audit SRL performed the statutory audit for the 2017 financial exercise. The auditor has exclusively provided financial audit services. The financial auditor's fee for the year ended 31 December 2017 is 27.000 lei.

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.

2. Basis of preparation (continued)

(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 evaluation

The financial statements were prepared using the historical cost, except for land and buildings, which are stated at fair value.

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

3. Significant accounting policies (continued)

(a) Transactions in foreign currencies (continued)

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	31 December 2017	31 December 2016	Variation
Euro (EUR)	4,6597	4,5411	+ 2,61%
US Dollar (USD)	3,8915	4,3033	-0,41%

(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:

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.

3. Significant accounting policies (continued)

(c) Financial assets and liabilities (continued)

Investments held to maturity

Investments held to maturity are those non-derivative financial assets with fixed or determinable payments and fixed maturity which the Company has the 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.

3. Significant accounting policies (continued)

(e) Financial assets and liabilities (continued)

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 carried at amortized cost

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

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.

3. Significant accounting policies (continued)

(e) Financial assets and liabilities (continued)

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) The financial assets and liabilities as 31 December 2016 and 31 December 2017 were **valued at amortized cost.**

3. Significant accounting policies (continued)

(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.

3. Significant accounting policies (continued)

(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.

3. Significant accounting policies (continued)

(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".

3. Significant accounting policies (continued)

(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.

3. Significant accounting policies (continued)

(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.

3. Significant accounting policies (continued)

(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 for the year ended 31 December 2017 and have not been applied in preparing these financial statements:

IFRS 9 Financial Instruments (effective date: annual periods beginning with January 1, 2018)

This standard replaces the provisions of IAS 39 "Financial Instruments: Recognition and Evaluation" on classification and measurement of financial assets, except for aspects relating to hedge accounting in respect of which entities may choose to apply the old provisions of IAS 39 or to apply IFRS 9.

In October 2017, IASB issued Amendments to IFRS 9 that are applicable for annual periods beginning on or after 1 January 2019.

Financial assets will be classified using one of two methods of evaluation: amortized cost and fair value through other comprehensive income and fair value through profit or loss. A financial asset can be measured at amortized cost only if the following two conditions are met: assets are held within a business model whose objective is to hold assets in order to collect contractual cash flows and contractual terms generate, at the certain dates, cash flows representing only payments of principal and interest on the outstanding principal. Gains or losses on subsequent changes in the value of assets measured at fair value are recognized in profit or loss except for investments in equity instruments that are not held for trading, for which the standard allows upon initial recognition the measurement at fair value with recognition of subsequent changes of value in the comprehensive income.

The happened loss model in IAS 39 is replaced with the expected loss model, which means it will not be necessary that a loss event to take place before the recognition of an impairment adjustments. However, the disclosure requirements are substantial.

The Company did not identify elements in applying IFRS 9 with a material impact on the financial statements. Classification and valuation of financial instruments will not change in accordance with IFRS 9 because of the nature of the Company's operations and the types of financial instruments it holds. However, the Company considers that impairment losses will become more volatile as a result of applying the expected impairment loss model.

3. Significant accounting policies (continued)

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

Impact assessment

The Standard will affect the classification and valuation of financial assets held on 1 January 2018 as follows:

Bonds that are classified as loans and receivables and are measured at amortized cost in accordance with IAS 39 will be measured at amortized cost in accordance with IFRS 9.

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 loans and receivables

Assets carried at amortized cost are evaluated for impairment in accordance with accounting policy described in Note 3 (c) (iii).

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.

Classification of financial assets and liabilities

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

5 Revenues from tourism services

	2017	2016
Revenues from hotel services	3.191.429	3.147.085
Revenues from catering (restaurant, bar)	4.881.353	4.719.392
Revenues from SPA, playgrounds, various	73.058	129.023
Revenues from rental of conference rooms	114.726	101.076
Total	**8.260.566**	**8.096.576**

6 Third party expenses

	2017	2016
Third party expenses	672.465	710.561
Expenses with repairs and maintenance	454.814	391.705
Total	**1.127.279**	**1.102.266**

7 Personnel expenses

	2017	2016
Personnel expenses		
Wages	1.877.712	1.660.718
Expenses with social security and social protection	537.954	468.459
Expenses with meal tickets	178.624	164.365
Total	**2.594.290**	**2.293.542**

8 Other expenses

	2017	2016
Expenses with taxes and similar	360.153	390.900
Expenses with commissions and fees	106.182	117.793
Postal and telecommunications expenses	54.013	53.011
Marketing expenses	46.128	89.371
Expenses with bank services and similar	24.076	23.597
Expenses with insurance premiums	31.605	30.498
Operating expenses with provisions	237	6.865
Operating expenses with the adjustment for the impairment of current assets	37.102	8.896
Expenses with granted donations	24.500	22.179
Travel expenses	15.390	10.549
Expenses with compensations, fines and penalties	5.438	3.500
Expenses with royalties, management and rental locations	38.297	23.981
Total	**743.121**	**781.140**

The average number of employees in 2017 was of 78 (2016: 78), and the effective number of employees as of 31 December 2017 is of 75 de (31 December 2016:82).

9 Financial revenues

	2017	2016
Revenues from interest received	276.575	320.212
Revenues from FX differences	8.500	8.209
Revenues from discounts	(30)	258
Total	**285.046**	**328.679**

10 Income tax expense

		2017	2016
a)	**Current income tax**		
	Expense with the current income tax	38.894	123.856
	Expenses with the specific tax	40.488	40.488
	Deferred income tax		
	Revenue from deferred income tax	(6.197)	(2.329)
		(6.197)	**(2.329)**
	Total	**73.185**	**121.527**

b) Reconciliation of the effective tax rate:

	2017	2016
Income before tax	**323.816**	**730.453**
Tax according to the statutory rate of 16%	**51.811**	**116.872**
Effect on income tax		
Legal reserve	(2.591)	(5.383)
Fiscal depreciation	(30)	(439)
Non-deductible expenses	1.289	30.480
Non-taxable revenues	(11.213)	(9.206)
Items similar to revenues	949	13.711
Sponsorships	(1.321)	(22.179)
Temporary differences	(6.197)	(2.329)
Specific tax	40.488	
Income tax	**73.185**	**121.527**

a) Evolution of the deferred income tax

	31 December 2016	Impact P&L account	Impact in reserves	31 December 2017
Deferred income tax - liability				
Reserves from the revaluation of tangible assets cls 212	1.935.808		(1.935.808)	-
Prepayments regarding the inflated cost for land concession	18.437	(234)		18.203
	1.954.245	***(234)***	***(1.935.808)***	***18.203***
Deferred income tax - asset - asset				
Adjustment for the impairment of trade receivables	(5.409)	(27)		(5.436)
Adjustments for the impairment of various debtors	(802)			(802)
Provisions for risks and expenses	(10.300)	(5.936)		(16.236)
	16.511	***(5.963)***		***(22.474)***
Deferred tax, net	**1.937.734**	**(6.197)**	**(1.935.808)**	**4.271**

11 Earnings per share

	31 December 2017	31 December 2016
Profit attributable to ordinary shareholders	672.741	608.926
Weighted average number of ordinary shares	167.339.600	167.339.600
Basic earnings per share	**0,004**	**0,004**

12 Cash and current accounts

	31 December 2017	31 December 2016
	2.759.539	3.001.958
Cash	26.083	24.129
Other values	159	45
Total	**2.785.781**	**3.026.132**

The current accounts at banks are always at Company's disposal and are not restricted, except for the amount of 32.642 lei (2016: 32.642 lei), representing personnel collateral.

13 Bank deposits

	31 December 2017	31 December 2016
Bank deposits with an initial maturity higher than 3 months and less than a year	10.075.000	9.642.970
Receivables attached	84.792	65.712
Total	**10.159.792**	**9.708.682**

i. Bank deposits at **31.12.2017**

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

13 Bank deposits (continued)

ii. Bank deposits at **31.12.2016**

Deposit account	Deposit value		Deposit period			Interest rate	Days until 31.12.16	Accumulated interest LEI
1	2		3			4	5	6
Marfin Bank	500.000	LEI	13.09.2016	-	13.09.2017	2,00%	18	500,00
Marfin Bank	500.000	LEI	13.09.2016	-	13.09.2017	2,00%	18	500,00
Marfin Bank	1.000.000	LEI	13.09.2016	-	13.09.2017	2,00%	18	1.000,00
Marfin Bank	1.000.000	LEI	13.09.2016	-	13.09.2017	2,00%	18	1.000,00
Marfin Bank	1.000.000	LEI	13.09.2016	-	13.09.2017	2,00%	18	1.000,00
Libra Bank	1.013.470	LEI	05.04.2016	-	05.04.2017	2,00%	271	14.993,81
Libra Bank	1.000.000	LEI	16.06.2016	-	16.06.2017	2,00%	199	10.849,32
Garanti Bank	1.105.000	LEI	29.03.2016	-	29.03.2017	1,40%	278	11.758,11
Garanti Bank	2.524.500	LEI	27.04.2016	-	27.04.2017	1,40%	249	24.110,70
Total deposits LEI	***9.642.970***							***65.711,94***

14 Loans and receivables

	31 December 2017	31 December 2016
a) Bonds	2.229.756	2.228.527
b) Trade receivables	463.493	261.975
c) Prepayments	159.357	158.120
d) Other receivables	77.174	118.530
Total	**2.930.029**	**2.767.402**

a) Bonds

In 2015 the Company has acquired 890.000 bonds issued by Firos S.A, which are dematerialized, nominative and freely transferable, with a fixed yield. The acquisition value of the bonds 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.

The value of the cumulated interest as of 31.12.2017 is of 4.576 lei (31.12.2016: 3.527 lei).

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 (31 December 2016: 99,69%). SIF Muntenia valued its subsidiary and the valued amount as of 31 December 2017 and 31 December 2016 is 37.581.464 lei, respectively 36.724.121 lei.

b) Trade receivables

	31 December 2017	31 December 2016
Clients	447.560	243.673
Adjustments for impairment of client receivables	(48.536)	(48.299)
Suppliers – debtors for services	64.469	66.601
Total	**463.493**	**261.975**

c) Prepayments

	31 December 2017	31 December 2016
Concession of land – inflated cost	113.766	115.229
Value of concession of land – paid in advance	36.245	36.711
Miscellaneous	9.346	6.180
Total	**159.357**	**158.120**

d) Other receivables

	31 December 2017	31 December 2016
Receivables from the State budget	14.721	76.790
Various debtors	65.218	48.901
Adjustments for the impairment of various debtors	(7.161)	(7.161)
Receivables for the deferred tax	4.271	-
Other receivables with personnel	125	-
Other financial assets	250	250
Total	**77.174**	**118.780**

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

Notes to the financial statements

For the financial year ended 31 December 2017

15. Tangible and intangible assets

A. Tangible assets

a) Evolution of tangible assets in the financial year 2017

in lei	Land	Buildings	Technical equipment and vehicles	Other equipment, machinery and furniture	Tangible assets in progress	Total
Gross book value						
31 December 2016	**9.776.617**	**12.295.017**	**1.714.351**	**367.237**	**284.147**	**24.437.369**
Inflow			248.004	6.875	10.199	**265.077**
Reversal of cumulated depreciation						
Outflow			(62.718)			**(62.718)**
31 December 2017	**9.776.617**	**12.295.017**	**1.899.636**	**374.112**	**294.346**	
Cumulated depreciation						
31 December 2016		**(362.889)**	**(1.552.820)**	**(258.783)**		**(2.174.492)**
Inflow		(362.889)	(67.168)	(31.262)		**(460.802)**
Reversal of cumulated depreciation						
Outflow			62.718			**62.718**
31 December 2017		**(725.262)**	**(1.557.270)**	**(290.044)**		**(2.572.577)**
Net book value						
31 December 2016	**9.776.617**	**11.932.128**	**161.531**	**108.454**	**284.147**	**22.262.877**
31 December 2017	**9.776.617**	**11.569.755**	**342.366**	**84.068**	**294.346**	**22.067.152**

b) Evolution of tangible assets in the financial year 2016

in lei	Land	Buildings	Technical equipment and vehicles	Other equipment, machinery and furniture	Tangible assets in progress	Total
Gross book value						
31 December 2015	**9.776.617**	**12.295.017**	**1.730.410**	**367.237**	**284.147**	**24.453.428**
Inflow			18.166			**18.166**
Reversal of cumulated depreciation						
Outflow			(34.225)			**(34.225)**
31 December 2016	**9.776.617**	**12.295.017**	**1.714.351**	**367.237**	**284.147**	**24.437.369**
Cumulated depreciation						
31 December 2015			**1.528.069**	**227.600**		**1.755.669**
Inflow		(362.889)	(58.977)	(31.183)		**(453.049)**
Reversal of cumulated depreciation						
Outflow			34.225			**34.225**
31 December 2016		**(362.889)**	**(1.552.820)**	**(258.783)**		**(2.174.492)**
Net book value						
31 December 2015	**9.776.617**	**12.295.017**	**202.341**	**139.637**	**284.147**	**22.697.759**
31 December 2016	**9.776.617**	**11.932.128**	**161.531**	**108.454**	**284.147**	**22.262.877**

15. Tangible and intangible assets (continued)

A. Tangible assets (continued)

c) The breakdown of revaluation reserves, as of 31.12.2017 compared with 31.12.2016, is the following:

Building/land	Value of revaluation reserves as of 31.12.2017 LEI	Value of revaluation reserves as of 31.12.2016 LEI
Hotel	2.939.611	3.022.807
TISA hall	-	-
Offices	85.452	87.953
Arinis INN	-	-
Subtotal buildings	***3.025.063***	***3.110.760***
Lands Str. Sf.Mihail, Gura Humorului	108.979	108.979
Land 18, Republicii str., Gura Humorului	35.196	35.196
Land Arinis dendrologic park	676.565	676.565
Land Tisa , Gura Humorului	1.004	1.004
Lands Arinis dendrologic park	8.166.300	8.166.300
Subtotal lands	***8.988.044***	***8.988.044***
TOTAL gross revaluation reserve	**12.013.107**	**12.098.804**
Deferred tax	**-**	**(1.935.808)**
TOTAL revaluation reserve net of deferred tax	**12.013.107**	**10.162.996**

d) The value of **plots of land** held by the Company as of **31.12.2017** and **31.12.2016** is the revalued amount at 31.12.2015 determined by the independent valuator CMF Consulting S.R.L.

Land - Location / Property document	Area sqm	LEI Value as of 31.12.2017	LEI Value as of 31.12.2016
Str. Mihail, Gura Humorului, plot 370/2, CF 6501;Ctr. no. 2818/2000	687	124.333	124.333
Str. Republicii no. 18, Gura Humorului; contribution in kind AA 12/2004	220	39.816	39.816
Arinis dendrologic park; contribution in kind AA 2/1998	8.807	717.251	717.251
Gura Humorului Suceava county; Ctr. 266/02.02.2010	262	47.417	47.417
Arinis dendrologic park; contribution in kind AA 3/1999 and exchange contract 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 31.12.2017**:**

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

15. Tangible and intangible assets (continued)

A. Tangible assets (continued)

e) The Company owned as of **31.12.2017** and **31.12.2016** 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 31.12.17	Value as of 31.12.16
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**

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

	LEI	
	31 December 2017	**31 December 2016**
Lands	790.322	790.322
Buildings	12.639.381	12.639.381
Total	**13.429.703**	**13.429.703**

15. Tangible and intangible assets (continued)

A. Tangible assets (continued)

g) Evolution of **tangible assets in progress** as of 31.12.2017:

LEI

Tangible assets in progress	Balance at 01.01.2017	Inputs	Receptions	Demolitions	Balance at 31.12.2017
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	**284.147**	**10.199**			**294.346**

B. Intangible assets

Other intangible assets amounting to **54.315 LEI** represent software licenses for the accounting software, for the software for invoice issue by the reception and various PC operation licenses. These intangible assets come from direct acquisitions. The Company does not own internally generated intangible assets.

Evolution of intangible assets in the financial year 2017

in lei	Intangible assets
Gross book value	
31 December 2016	**63.396**
Inflows	22.174
Outflows	31.256
31 December 2017	**54.315**
Cumulated depreciation	
31 December 2016	**62.437**
Inflows	7.735
Outflows	31.256
31 December 2017	**38.916**
Net book value	
31 December 2016	**959**
31 December 2017	**15.399**

16 Inventories

	31 December 2017	31 December 2016
Food items	150.773	148.276
Raw materials and consumables	35.986	30.213
Packaging	5.174	2.779
Advance payments to inventory suppliers	1.460	780
Total	**193.393**	**182.048**

17 Deferred tax liabilities

As of **31 December 2017,** the Company has not registered deferred tax liabilities.
The deferred tax liabilities as of **31 December 2016** are presented in the following table:

	Assets	Liabilities	Net
Tangible assets	12.098.804		12.098.804
Trade receivables	(33.809)		(33.809)
Various debtors	(5.013)		(5.013)
Prepayment – concession inflated land	115.229		115.229
Provisions		64.373	(64.373)
Total	**12.175.212**	**64.373**	**12.110.839**
Temporary net differences – 16% quota			12.110.839
Liability regarding the deferred tax			**1.937.734**

18 Trade payables

	31 December 2017	31 December 2016
Trade payables	372.421	381.142
Advance payments received	61.750	16.429
Total	**434.171**	**397.571**

19 Other liabilities

	31 December 2017	31 December 2016
Liabilities to the State budget	97.942	90.419
Creditors and other payables	122.740	118.628
Payables to employees	105.003	91.866
Subsidies for investments	6.283	
Income tax payable	25.027	28.201
Provisions*	101.475	64.373
Total	**458.470**	**393.487**

* The provisions as of 31.12.2017 are the following:

- 512 lei provision for bonuses to employees for the 2012 results, unawarded;
- 100.963 lei provision for unused holidays.

20. Share capital, capital premium and reserves

a) Share capital

As of **31.12.2017,** the Company's paid-up share capital is of **16.733.960 lei,** according to the Acknowledgement Certificate no. 6352/27.02.2015, consisting of:

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

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

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

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

The shareholding structure of the Company

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

31 December 2016	**Number of shares**	**Amount (LEI)**	**(%)**
SIF Muntenia S.A.	111.900.276	11.190.028	66,87
Legal entities	42.243.714	4.224.371	25,24
Individuals	13.195.610	1.319.561	7,89
Total	**167.339.600**	**16.733.960**	**100,00**

Reconciliation of share capital

	31 December 2017	**31 December 2016**
Nominal share capital	16.733.960	16.733.960
Capital premium	4.885.965	4.885.965
Hyperinflation effect – IAS 29	10.267.175	10.267.175
Total share capital and capital premium	**31.887.100**	**31.887.100**

20. Share capital, capital premium and reserves (continued)

b) Reserves from the revaluation of tangible assets

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

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

The breakdown of the revaluation reserves as of 31.12.2017 compared with 31.12.2016 is the following:

Building/land	Revaluation reserve value as of 31.12.2017 LEI	Revaluation reserve value as of 31.12.2016 LEI
Hotel	2.939.611	3.022.807
TISA hall	-	-
Offices	85.452	87.953
Arinis Inn	-	-
Subtotal buildings	***3.025.063***	***3.110.760***
Lands Str. Sf.Mihail, Gura Humorului	108.979	108.979
Land 18, Republicii str., Gura Humorului	35.196	35.196
Land Arinis dendrologic park	676.565	676.565
Land Tisa , Gura Humorului	1.004	1.004
Lands Arinis dendrologic park	8.166.300	8.166.300
Subtotal lands	***8.988.044***	***8.988.044***
TOTAL gross revaluation reserve	**12.013.107**	**12.098.804**
Deferred tax	**-**	**(1.935.808)**
TOTAL revaluation reserve net of deferred tax	**12.013.107**	**10.162.996**

c) Reported result

Item	31 December 2017	31 December 2016
Legal reserves (i)	497.306	481.115
Other reserves (ii)	1.654.349	1.654.349
Reported result	649.964	557.939
Reported result related to the adoption for the first time of IAS 29	(10.099.471)	(10.099.471)
Current result	672.741	608.926
Profit distribution	(16.191)	(33.646)
Total reported result	**(6.641.302)**	**(6.830.788)**

20. Share capital, capital premium and reserves (continued)

d) Legal reserve

According to the legal provisions, the Company creates legal reserves in the amount of 5% of the registered gross profit, until the level of 20% of the share capital is reached. The value of the legal reserve as of 31 December 2017 is of 497.306 lei , and as of 31 December 2016 is of 481.115 lei.

The legal reserves cannot be distributed to shareholders.

(i) Other reserves

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

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

e) Dividends

The Ordinary Shareholders General Meeting (AGOA) on 24.04.2017 has approved the Board of Administrators proposal regarding the distribution of a dividend amounting to 0.0034 lei/share, from the undistributed profit for the year 2016. The value of gross dividends registered as liability in 2017 was of 568.955 lei (2016: 502.019 lei).

The dividends proposal submitted for the approval of the Ordinary General Shareholders Meeting (OGSM) convened to approve the 2017 financial statements amount to 669.358,4 lei, representing 0,004 lei/share.

Notes to the financial statements

For the financial year ended 31 December 2017

21 Related parties

a) Key management personnel

	31 December 2017	31 December 2016
Members of the Board of Administrators	Trandafir Florica – President Tamas Ion Romica - Vice- President Constantin Mircea - Member Marin Liana – Member Chiribuca Dumitru Florin - Member	Trandafir Florica – President Tamas Ion Romica - Vice- President Constantin Mircea - Member Marin Liana – Member Chiribuca Dumitru Florin - Member

	31 December 2017	31 December 2016
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 Pascovici Claudia – F&B Manager Prosciuc Doina – Sales Manager Simota Analaura-Iuliana – Accommodation Manager

b) **Share holdings of the Company's management**

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

	31 December 2017	31 December 2016
Chialda Nicoleta	107.032	107.032
Tamas Romica	99.000	99.000
Misiuc Livia	43.516	43.516
Prosciuc Doina	43.516	43.516
Pascovici Claudia	70.703	70.703
Simota Analaura-Iuliana	30.352	30.352
Sava Mihai	20.352	20.352
Ghisovan Stefan	1.406	1.406
Total	**415.877**	**415.877**

c) Transaction with the key management personnel:

	31 December 2017	31 December 2016
Wages paid to management	328.075	315.816
Remunerations paid to the members of the Board of Administrators	42.480	41.571

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

	31 December 2017	31 December 2016
Dividends distributed to SIF Muntenia (majority shareholder)	380.461	335.701

22. Commitments

The Company has no capital commitments as of 31 December 2017 and 31 December 2016.

23. Financial assets and liabilities

Accounting classifications and fair values

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

	Amortized cost	Total book value	Fair value
Cash and cash equivalents	2.785.781	2.785.781	2.785.781
Deposits at banks	10.159.792	10.159.792	10.159.792
Loans and receivables	2.229.756	2.229.756	2.229.756
Trade receivables and similar	463.493	463.493	463.493
Other financial assets	77.174	77.174	77.174
Total financial assets	**15.715.996**	**15.715.996**	**15.715.996**
Trade payables and similar	434.171	434.171	434.171
Other financial liabilities	356.995	356.995	356.995
Total financial liabilities	**791.166**	**791.166**	**791.166**

The table below summarizes the carrying values and the fair values of the Company's financial assets and liabilities as of 31 December 2016:

	Amortized cost	Total book value	Fair value
Cash and cash equivalents	3.026.132	3.026.132	3.026.132
Deposits at banks	9.708.682	9.708.682	9.708.682
Loans and receivables	2.228.527	2.228.527	2.228.527
Trade receivables and similar	261.975	261.975	261.975
Other financial assets	118.530	118.530	118.530
Total financial assets	**15.343.846**	**15.343.846**	**15.343.846**
Trade payables and similar	397.571	397.571	397.571
Other financial liabilities	329.114	329.114	329.114
Total financial liabilities	**726.685**	**726.685**	**726.685**

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

24. Subsequent events

The Company has not identified subsequent events that influence the financial statements for the financial year 2017 or the presentation in the Notes. The Company has not identified elements as those in accordance with IAS 1.125.

25. Financial risk management

Management of significant risks

The main risks the Company is exposed to are:

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

The overall risk management strategy seeks to maximize Company's profit reported to the level of risk to which it is exposed and minimize any potential adverse variations on the financial performance of the Company.

The company uses a variety of policies and procedures for the management and evaluation of the types of risk to which it is exposed. These policies and procedures are presented in the subchapter dedicated to each type of risk.

(a) Market risk

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

(i) Price risk

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

(ii) Interest rate risk

As of 31 December 2017 and 31 December 2016 a significant portion of the Company's assets 32,24% (2016: 31,41%) are interest-bearing, the cash and cash equivalents are generally invested at an interest rate for the short term. The decrease of the yields affects the asset valuation.
At the reporting date, the profile of the exposure to the interest rate risk for the interest-bearing financial instruments held by the Company was the following:

Fixed rate instruments	**31 December 2017**	**31 December 2016**
Bank deposits	10.075.000	9.642.970
Bonds	2.225.000	2.225.000
Total	**12.300.000**	**11.867.970**

The Company does not hold instruments with a variable interest rate. The interest rates on its cash deposits range between 1,39% and 2% in 2017 (2016: 1,40% and 2,00%) for RON-denominated deposits and for the bonds held the interest rate is 4% p.a.

25. Financial risk management (continued)

Management of significant risks (continued)

(a) Market risk (continued)

(ii) Interest rate risk (continued)

The impact on the net income of the Company to a change of +/-1% in the interest rate of the RON-denominated interest-bearing assets and liabilities is of +/- 123.000 lei as of 31 December 2017, respectively +/- 118.679 lei as of 31 December 2016.

(iii) Currency risk

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

(b) Credit risk

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

The maximum exposure of the Company to the credit risk amounts to 15.607.727 lei as of 31.12.2017 (31.12.2016: 15.319.673 lei)

Book value	**31 December 2017**	**31 December 2016**
Trade receivables and other current assets, out of which:	**543.432**	**380.505**
- *Trade receivables*	*399.024*	*195.374*
- *Suppliers-debtors*	*64.469*	*66.601*
- *Receivables various debtors*	*65.218*	*41.740*
- *Receivables with the State budget*	*14.721*	*76.790*
Bonds	**2.229.756**	**2.228.527**
Cash and bank deposits, out of which:	**12.834.539**	**12.710.641**
- *Banca Transilvania*	*12.417*	*14.976*
- *Marfin Bank*	*4.017.802*	*4.055.421*
- *Libra Bank*	*3.505.361*	*2.046.526*
- *Garanti Bank*	*2.613.450*	*3.698.134*
- *Raiffeisen Bank*	*2.523.797*	*2.800.475*
- *BCR*	*11.810*	*12.658*
- *Bancpost*	*73.068*	*41.971*
- *Trezoreria Suceava*	*76.832*	*40.479*
TOTAL	**15.607.727**	**15.319.673**

25. Financial risk management (continued)

Management of significant risks (continued)

(b) Credit risk (continued)

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

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

Losses from impairment

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

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

31 December 2016	**Gross value**	**Impairment**
in lei		
Current and overdue between 0 and 30 days	217.649	
Overdue between 31 and 60 days	24.308	
Overdue between 61 and 90 days	14.815	
Overdue between 91 and 180 days	32.036	
Overdue between 181 and 360 days	14.675	
More than 360 days	55.691	(55.460)
Total	**359.175**	**(55.460)**

(c) Liquidity risk

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

25. Financial risk management (continued)

Management of significant risks (continued)

(c) Liquidity risk (continued)

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

31 December 2017	Book value	Below 3 months	Between 3 and 12 months	More than 1 year	With no pre-establishes maturity
Financial assets					
Cash	2.759.539	2.759.539			
Deposits at banks	10.075.000		10.075.000		
Bonds	2.225.000			2.225.000	
Other assets	540.667	540.667			
Total financial assets	**15.600.206**	**3.300.206**	**10.075.000**	**2.225.000**	
Financial liabilities					
Trade payables	434.171	434.171			
Provisions for risks and expenses	101.475	101.475			
Other liabilities	356.955	356.955			
Total financial liabilities	**892.641**	**892.641**			
Liquidity surplus	**14.707.565**	**2.407.565**	**10.075.000**	**2.225.000**	

31 December 2016	Book value	Below 3 months	Between 3 and 12 months	More than 1 year	With no pre-establishes maturity
Financial assets					
Cash	3.001.959	3.001.959			
Deposits at banks	9.642.970		9.642.970		
Bonds	2.225.000			2.225.000	
Other assets	380.504	380.504			
Total financial assets	**15.250.433**	**3.382.463**	**9.642.970**	**2.225.000**	
Financial liabilities					
Trade payables	397.571	397.571			
Provisions for risks and expenses	64.373	64.373			
Other liabilities	377.971	377.971			
Total financial liabilities	**839.915**	**839.915**			
Liquidity surplus	**14.410.519**	**2.542.549**	**9.642.970**	**2.225.000**	

25. Financial risk management (continued)

Management of significant risks (continued)

(d) Risk related to taxation

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

(e) Economic environment risk

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

(f) Operational risk

The operational risk is defined as the risk of recording losses or failure to achieve the estimated profits due to internal factors such as the inappropriate conduct of internal activities, the existence of inadequate personnel or systems, or due to external factors such as economic conditions, changes on the capital market or technological progress. The operational risk is inherent in all of the Company's activities.

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

(g) Capital adequacy

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

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

Tamas Ion Romica
General Manager

Misiuc Livia
Economic Manager

c a s a d e
Bucovina
c l u b d e m u n t e

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 the financial statements for the year 2017

As administrators of CASA DE BUCOVINA - CLUB DE MUNTE S.A., in accordance with the provisions of Article 30 of the Accounting Law no. 82/1991 republished, art. 63 alin. 2, letter. c from Law no. 24/2017 and NSC Regulation no. 1/2006, art. 112^1, alin. 1, letter c), we assume the responsibility for the preparation of the financial statements and confirm that:

a) To our knowledge, the annual financial statements for the year 2017 were prepared in accordance with the applicable accounting standards

b) The annual financial statements as of 31 December 2017 provide a fair view of the assets, liabilities, financial position and the profit and loss account of CASA DE BUCOVINA - CLUB DE MUNTE SA.

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

d) The Board of Administrators' annual report for the year 2017 includes a fair analysis of the development and performance of CASA DE BUCOVINA - CLUB DE MUNTE SA, as well as description of the main risks and uncertainties specific to the activity carried out.

Ion Romica Tamas
Vice-President of the Board of Administrators

Independent Auditor report

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

Report on the audit of financial statements

Opinion

We have audited the financial statements of **Casa de Bucovina – Club de Munte SA** (hereinafter referred to as „the Company"), headquartered in Gura Humorului, 18 Piata Republicii street, registered with the National Trade Register under no. J33/718/1998 and fiscal registration code RO 10376500, which includes the statement of financial position as of 31 December 2017, statement of comprehensive income and statement of changes in equity, the cash flow statement for the financial year concluded on this date as well as a summary of significant accounting policies and explanatory notes.

The financial statements at 31 December 2017 are identified as follows:

Net Asset/Total shareholders' equity	37.258.905 lei
Net profit for the financial year	672.741 lei

In our opinion, the financial statements give a true and fair view of the Company's financial position as of 31 December 2017, as well as of the financial performance and cash flows for the year then ended, in accordance with the Order of the Minister of Public Finance no. 2.844/12.12.2016 for the approval of the Accounting Regulations compliant with the International Financial Reporting Standards, applicable to companies whose securities are admitted to trading on a regulated market, with subsequent amendments and completions.

Basis for the opinion

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

Audit key aspects

Key audit aspects are those aspects that, based on our professional judgment, have been of the greatest importance for the audit of the current period's financial statements. These issues have been addressed

in the context of the audit of the financial statements as a whole and in the formation of our opinion on them and we do not provide a separate opinion on these key issues.

Current and deferred income tax	
Deferred income tax liability = 1.935.808 lei	
See Note 3 (p) **"Significant accounting policies. Current and deferred tax"**	
Key audit aspects	**Approach within the audit mission**
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. 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 amounting to 1.935.809 lei for the revaluation reserve considered the temporary taxable difference of 12.098.805 lei.	Our audit procedures included: ▪ Verification of compliance with tax regulations on income tax (Title II "Income Tax", Fiscal Code) and specific tax (Law No. 170/2017 and Norms in force); ▪ Valuation of the calculation elements of the fiscal result, basis for the current income tax; ▪ Verification of accounting estimates made by the Company for the determination of taxable and deductible temporary differences for the deferred income tax expense calculation, according to IAS 12 "Income Tax"; ▪ We assessed the adequacy of the information presented in the financial statements regarding this key audit aspect.

Other information – Administrators' report

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

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

With regard to the audit of the financial statements for the year ended 31 December 2017, it is our responsibility to read that other information and, in this regard, to assess whether that other information is materially inconsistent with the financial statements or the knowledge we have acquired during the audit, or if they appear to be materially distorted.

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

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

In addition, based on our knowledge and understanding of the Company and its environment, acquired in the course of our audit of the financial statements for the year ended 31 December 2017, we are

required to report whether we have identified significant misstatements in the Administrators' Report. We have nothing to report on this issue.

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

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

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

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

Auditor’s responsibility in a financial statements audit

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

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

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

- Evaluate the overall presentation, structure and content of financial statements, including information disclosures, and the extent to which the financial statements reflect underlying transactions and events that results in a fair presentation.

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

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

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

Report on Other Legal and Regulatory Provisions

We have been appointed by the Ordinary General Meeting of Shareholders on 29.04.2016 to audit the financial statements of CASA DE BUCOVINA – CLUB DE MUNTE SA for the financial year ended 31 December 2017. The total uninterrupted duration of our engagement is 4 years, covering the exercises financial year ended 31 December 2016 until 31 December 2019.

We confirm that:

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

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

Badiu Dan-Andrei

registered with the Chamber of Financial Auditors of Romania under number 4426/2012

Bucharest, Romania

6 March 2018

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