

**CASA DE BUCOVINA – CLUB DE MUNTE S.A.
BOARD OF ADMINISTRATORS' REPORT
FOR THE FIRST NINE MONTHS OF 2018
(01.01.2018 – 30.09.2018)**

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

Quarterly report in accordance with:	The provisions of Law no. 24/2017 and FSA Regulation no. 5/2018
Date of the report:	13 November 2018
Name of the issuer:	CASA DE BUCOVINA – CLUB DE MUNTE S.A.
Headquarters:	Gura Humorului, 18, Republicii Square, Suceava County
Phone/fax no.:	+40 230 207 000/ +40 230 207 001
Sole Registration Code:	10376500
Registration Number with the Trade Register:	J33/718/1998
Subscribed and aid-in share capital:	16,733,960 lei
Main features of the issued securities:	167,339,600 shares, with a face value of RON 0.1/share
Regulated market on which the securities are traded	Bucharest Stock Exchange
LEI Code	2549003JCE4UBBB88S53

1. Main financial indicators

Financial results

	01.01.2018 - 30.09.2018	01.01.2017 - 30.09.2017
Turnover	6,830,754	6,248,804
Operating revenues, of which:	6,832,036	6,253,271
Revenue from rendered services	2,989,876	2,582,363
Revenue from the sale of goods	3,840,878	3,666,441
Revenue from other activities	1,282	4,467
Operating expenses	6,172,062	5,742,875
Operating profit	659,974	510,396
Financial (expense)/revenue	(573,626)	215,004
Gross profit	86,348	725,400
Net profit	36,029	671,045

Balance sheet items

	30.09.2018	01.01.2018
Cash and bank accounts	1,254,688	2,785,781
Deposits at banks	6,453,902	10,159,792
Financial assets at fair value through profit or loss	4,279,083	-
Financial assets at amortized cost	2,250,074	2,229,756
Inventories	181,106	193,393
Other assets	1,047,528	700,273
Tangible and intangible fixed assets	21,963,213	22,082,551
Total assets	37,429,594	38,151,546
Trade payables	355,947	434,171
Other liabilities	448,071	458,470
Total liabilities	804,018	892,641
Shareholders' Equity	36,625,576	37,258,905
Total shareholder's equity and liabilities	37,429,594	38,151,546

2. Company information

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

Casa de Bucovina- Club de Munte SA's core business is hotel services, catering and recreational/leisure services, selling tourism services, organizing conferences or events for national and foreign companies, etc.

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

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

3. Analysis of the company's activity

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

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

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

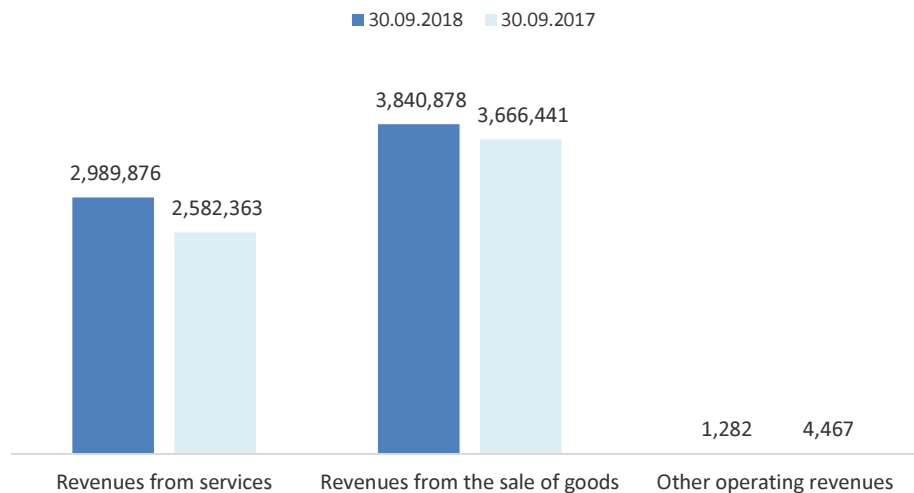
New packages were created and promoted:

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

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

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

Breakdown of operating revenues



Compared to the similar period from last year, in the first nine months of 2018, the company registered a 9.3% increase in operating revenues, due to a 15.8% rise in revenues from rendered services, while the revenues from the sale of goods were 4.8% higher.

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

In the third quarter, the market recorded an increase in demand due to the granting of holiday vouchers to public employees. Corresponding to the development of family programs created over the last 4 years, and the preservation of the cultural tourism groups segment, the company recorded a substantial increase in accommodation revenues. The increase was based mainly on the increase of the average tariff (+10.6%) and the occupancy rate (by 0.7 percentage points). Under these conditions, a 12% increase in accommodation income was recorded in the first 9 months, compared to the similar period of 2017. At the same time, there was a 4.8% increase in revenues from the food and beverage activity, thus increasing the operating revenues by 9.3%.

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

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

In the first nine months of 2018, the company has not recorded any sale or discontinuation of a segment of activity and does not anticipate that any segment will be sold or closed in the next three months. For the fourth quarter of the year 2018, the company has no indications for forecasting the occurrence of macroeconomic uncertainty factors or trends that would lead to the reduction of tourist traffic, that would significantly impact the activity and the liquidity of the company.

4. The economic and financial position

4.1. The company's tangible assets

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

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

- hotel (opened 2002) located in Gura Humorului, 18, Republicii street, Suceava county, consisting of basement, mezzanine, ground floor and 8 floors, 130 rooms with a capacity of 220 guests;
- catering capacity: 2 restaurants with 180 and 60 seats, bar (60 seats) and terrace (60 seats);
- conference center: 6 rooms in the hotel (capacity between 18 and 80 seats);
- multipurpose stand-alone conference room with a capacity of 220 seats;
- office space in a Gura Humorului, 18, Republicii street, with a built surface of 171 sqm;
- Arinis Inn located in Arinis Park - terrace with a capacity of 140 seats.

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

4.2. Financial statements

The financial statements as of 30 September 2018 were prepared in accordance with International Financial Reporting Standards adopted by the European Union.

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

In the tables below are presented statement of financial position and statement of comprehensive income related to the first nine months of 2018.

lei	30.09.2018	01.01.2018
ASSETS		
Cash and bank accounts	1,254,688	2,785,781
Deposits at banks	6,453,902	10,159,792
Financial assets at fair value through profit or loss	4,279,083	-
Financial assets at amortized cost	2,250,074	2,229,756
Inventories	181,106	193,393
Other assets	1,047,528	700,273
Tangible and intangible fixed assets	21,963,213	22,082,551
TOTAL ASSETS	37,429,594	38,151,546
LIABILITIES		
Trade payables	355,947	434,171
Other liabilities	448,071	458,470
TOTAL LIABILITIES	804,018	892,641
SHAREHOLDERS' EQUITY		
Paid-in capital	31,887,100	31,887,100
PPE revaluation reserve	11,948,834	12,013,107
Reported result	(7,210,358)	(6,641,302)
TOTAL SHAREHOLDERS' EQUITY	36,625,576	37,258,905
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	37,429,594	38,151,546

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

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

lei	30.09.2018	30.09.2017
Revenue from touristic services	6,830,754	6,248,804
Other revenues	1,282	4,467
Raw materials and consumables used	(881,905)	(863,760)
Costs of goods sold	(1,347,509)	(1,274,188)
Third party expenses	(978,160)	(879,347)
Personnel costs	(2,099,661)	(1,948,713)
Depreciation and amortization of fixed assets	(377,850)	(349,039)
Other expenses	(486,977)	(427,828)
Operating profit	659,974	510,396
Financial (expense)/revenue	(573,626)	215,004
Profit before taxes	86,348	725,400
Income tax expense	(50,319)	(54,355)
Profit for the period	36,029	671,045
Other comprehensive income		
Items that will not be reclassified in profit or loss		
Increase in revaluation reserve of tangible assets, net of deferred tax	-	-
Total other comprehensive income	-	-
TOTAL GLOBAL RESULT FOR THE PERIOD	36,029	671,045

In the first nine months of 2018, the company recorded a growth in operating revenue by 9.3%, due to the increase in the revenue from rendered services (+15.8% yoy) and in the revenue from goods sold (+4.8% yoy). Operating expenses increased by 7.5% compared to the same period of the previous year, with a lower dynamic than the operating revenue, thus the operating profit reached lei 659.974, 29.3% higher than the operating profit registered in the first nine months of 2017.

The main reason for the increase in operating expenses is the increase of the personnel expenses (+7.7%, due to the increase of the minimum wage in the economy), especially in the food&beverage department, but also due to the increase of the utilities costs and the COGS.

The company recorded a value of the gross operating profit (GOP) of lei 1.837.170, 20.8% higher than the value budgeted for this period, of lei 1.520.540.

The profit related to the first nine months of the year was partially affected by the negative financial result (lei 573.626), mainly due to the decrease of the interest income and the marking-to-market of the fund units, leading to a net profit of lei 36.029, compared to the profit of lei 671.045 registered in the first nine months of 2017.

4.3. Revenues and Expenditures Budget Execution

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

	REB 9 months 2018	Actual 9 months 2018
Total revenues	6,302,187	6,830,754
Total expenses	3,431,198	3,622,220
Profit from operating activity*	2,870,989	3,208,534
General, marketing, utilities and maintenance expenses	1,350,449	1,371,364
GOP**	1,520,540	1,837,170
Expenses with the BOA, auditors, taxes, royalties, insurance	367,650	349,045
Operating result before the expenses with depreciation, repairs, modernization and provisions	1,152,890	1,488,125
Depreciation	364,500	377,850
Repairs and modernization expenses	550,000	523,084
Other revenues	0	72,783
Operating result	238,390	659,974
Financial result	207,000	-573,626
Gross result	445,390	86,348

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

** GOP – Gross Operating Profit

In the first nine months of 2018, the revenues from the company's major business segments exceeded the budgeted values. Thus, the revenue from the accommodation activity (about lei 2.7mn) was 8% higher than those budgeted for this segment, while the revenue from the food&beverage activity (approximately lei 3.8mn) recorded a value 6% higher than budgeted.

4.4. Liquidity, risk and management indicators

Liquidity indicators		30.09. 2018	30.09.2017
Current liquidity	Current assets / Current liabilities	14,05	20,40
Quick liquidity – acid test	(Current assets - Inventories) / Current liabilities	13,81	20,15
Indicatori de risc		30.09. 2018	30.09.2017
Indebtedness	Debt / Equity*100	n/a	n/a
Interest coverage ratio	EBIT / Interest costs	n/a	n/a
Management indicators		30.09.2018	30.09.2017
Inventory turnover	COGS / Average inventory	7,20	6,82
Days of storage	Average inventory / COGS *270	37,52	39,53
Clients turnover (days)	Average clients balance / Turnover *270	21,19	23,95
Fixed assets turnover	Turnover / Fixed assets	0,26	0,28
Total assets turnover	Turnover / Total assets	0,18	0,16

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

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

In the first nine months of 2018 CASA DE BUCOVINA – CLUB DE MUNTE S.A. was not in any situation unable to meet its financial obligations during the analyzed period.

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

During the first nine months of 2018 there were no changes in the rights of the holders of the shares issued by CASA DE BUCOVINA – CLUB DE MUNTE S.A.

6. Company management

6.1. The Board of Administrators

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

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

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

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

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

6.2. Executive management

In the first nine months of 2018, the executive management of the company was provided by:

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

6.3. Corporate governance

The company disseminates on its website, www.bestwesternbucovina.ro, information about its structures of corporate governance and also the list of the members of the Board of Administrators, mentioning the members who are independent and/or nonexecutive, the updated Constitutive Act and the declaration of compliance.

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

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

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

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

Between 16 and 26 June 2018 the company subscribed the amount of lei 2.225.000 and purchased 890.000 corporate bonds, guaranteed, issued by FIROS SA, with a face value of lei 2.5/bond. The interest rate is fixed at 4% per year, and interest is paid every 90 calendar days from the date of each subscription. The bond maturity is 36 months from the subscription date.

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

8. Annexes

Financial statements as of 30.09.2018

9. Signatures

Ion Romica Tamas
Vice - President of the Board of Administrators
General Manager

Livia Misiuc
Economic Manager

CASA DE BUCOVINA CLUB DE MUNTE S.A.

Statement of financial position at 30 September 2018

lei	30.09.2018	01.01.2018
ASSETS		
Cash and bank accounts	1,254,688	2,785,781
Deposits at banks	6,453,902	10,159,792
Financial assets at fair value through profit or loss	4,279,083	-
Financial assets at amortized cost	2,250,074	2,229,756
Inventories	181,106	193,393
Other assets	1,047,528	700,273
Tangible and intangible fixed assets	21,963,213	22,082,551
TOTAL ASSETS	37,429,594	38,151,546
LIABILITIES		
Trade payables	355,947	434,171
Other liabilities	448,071	458,470
TOTAL LIABILITIES	804,018	892,641
SHAREHOLDERS' EQUITY		
Paid-in capital	31,887,100	31,887,100
PPE revaluation reserve	11,948,834	12,013,107
Reported result	(7,210,358)	(6,641,302)
TOTAL SHAREHOLDERS' EQUITY	36,625,576	37,258,905
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	37,429,594	38,151,546

Ion Romica Tamas
General Manager

Livia Misiuc
Economic Manager

Statement of comprehensive income for the period ended 30 September 2018

lei	30.09.2018	30.09.2017
Revenue from touristic services	6,830,754	6,248,804
Other revenues	1,282	4,467
Raw materials and consumables used	(881,905)	(863,760)
Costs of goods sold	(1,347,509)	(1,274,188)
Third party expenses	(978,160)	(879,347)
Personnel costs	(2,099,661)	(1,948,713)
Depreciation and amortization of fixed assets	(377,850)	(349,039)
Other expenses	(486,977)	(427,828)
Operating profit	659,974	510,396
Financial (expense)/revenue	(573,626)	215,004
Profit before taxes	86,348	725,400
Income tax expense	(50,319)	(54,355)
Profit for the period	36,029	671,045
Other comprehensive income		
Items that will not be reclassified in profit or loss		
Increase in revaluation reserve of tangible assets, net of deferred tax	-	-
Total other comprehensive income	-	-
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	36,029	671,045

Ion Romica Tamas
General Manager

Livia Misiuc
Economic Manager