

SIF HOTELURI SA

ORADEA

**BOARD OF DIRECTORS’
REPORT**

For 2017 H1 Financial Reports

Prepared in accordance with Law 24/2014 and Regulation 1/2006

MAIN FINANCIAL AND OPERATIONAL INFORMATION

MAIN BALANCE SHEET ENTRIES (lei)

	30.06.2016	30.06.2017
Total assets, of which	108.091.423	114.111.512
Non-current assets	103.748.368	104.747.378
Current assets	3.716.275	8.685.993
Prepayments	626.780	678.141
Equity	90.180.057	96.287.406
Total debts	17.771.006	17.824.106

FINANCIAL PERFORMANCE (lei)

	30.06.2016	30.06.2017
Turnover	9.479.497	9.247.460
Total income	9.557.875	9.397.579
Total expenses	11.758.691	10.955.342
Gross profit	-2.200.816	-1.557.763
Net profit	-2.200.816	-1.685.689

INDICATORS (%)

	30.06.2016	30.06.2017
ROE (net profit / equity)	-0,0244	-0,0175
ROA (net profit / total assets)	-0,0204	-0,0148
Current cash	0,77	1,56

SHARES AND NET ASSETS PERFORMANCE

	30.06.2016	30.06.2017
Result per share	-0,0685	-0,0524
Value of the share capital	80.356.103	80.356.103
Nominal value per share	2,50	2,50
Net assets / share	3,05	3,00
Number of shares	32.142.441	32.142.441

OPERATIONAL DATA

	30.06.2016	30.06.2017
Average number of employees	206	172
Number of business facilities	7	7

1. „SIF HOTELURI” ACTIVITY ANALYSIS

General information

During the financial year under review there were no significant mergers or reorganisations of the company.

General informations

Name	„SIF HOTELURI SA”
Type	Shared company
Adress	Piata Emanuil Gojdu nr 53 bloc A10
Phone / Fax	0259 413 939
Registration number at the Trade Registry Office	J05/126/1991
Unique registration code	56150
Fiscal Identification Code	RO 56150
Capital	80.356.102,50 lei
Nominal value of shares	2,50 lei/share
Number of shares	32.142.441

The company was established under the name of ”TRUSTUL ALIMENTATIEI PUBLICE LOCALE ORADEA” (T.A.P.L.) in 1952, as a legal entity, operating on the economic administration principle, having fixed funds and own current assets.

The company, set up in 1990 pursuant to Law 15/1990, started with a share capital of 15,582.20 lei. On 31 December 2015, subsequent to several events (splits, diminishings, successive share capital increases, merging), the share capital turned out to be 80,356,103 lei. The company’s shares are listed at Bucharest Stock Exchange, category standard, CAOR indicative, starting from 11 May 2012. On 31 December 2015, the company is 98,9997% owned by SIF Banat - Crisana SA (31,820,906 shares), a percentage of 0.0321% owned by State Authority, a percentage of 0,9410% owned by natural persons (302,455 shares) and a percentage of 0,0272% by legal persons (8,751 shares).

The number of the shares and shareholders is registered, according to law, with SC Depozitarul Central SA Bucharest.

SC CALIPSO SA (”The Company”) changed its name, according to Special General Meeting of Shareholders' Decision no. 2 / 19.5.2004 into SIF HOTELURI S.A. Subsequent to the Decision no. 618/14.8.2013 of the Local Council of Oradea Municipality, Calipso S.A. changed the address of the company's registered office, pursuant to the Special General Meeting of Shareholders' Decision no. 2 / 29.4.2014, from PiataIndependentei no. 53 bloc A10 to PiataEmanuil Gojdu no. 53 bloc A10.

On 30 June 2017, The Company owned Doubletree by Hilton Hotel of Oradea, an another four hotels, carrying out tourism activity. On 15.10.2015 ended the merging operation according to the merging project 133/24/03/2015 and Bihor Court’s Decision no. 105/2015 dated 10.09.2015, whereby SIF Hoteluri SA absorbed other five companies that had the same majority shareholder: SC Beta Transport SA ClujNapoca, SC Transeuro Hotel SA Baia Mare, SC Hotel MesesulsaZalau, SC Rusca SA Hunedoara, SC Valy-Tim SA Timisoara. On 06.11.2015 they picked up the Resolution no. 11465 dated 03.07.2015 whereby the National Trade Register Office (NTRO) attached to Bihor Court admitted the registration of the submittal of the request for finding the merging legality. Based on the

merging project, SIF Hoteluri SA company increased its share capital from 51.462.327,50 lei to 80.356.102,50 lei. The registered office of the company is located in Oradea, Piata Emanuil Gojdu nr 53 bloc A10.

Significant tradings during the year:

On 06.12.2016 ended the trading concerning the sale of the entire economic and commercial activity carried out at "Hotel Meses" business place of Zalau by Total AS Distribution Grup SRL Zalau. The sales intent, organization of the competitive outcry auction and the award price made the object of the current reports sent by the company on 05.10.2016 and on 20.10.2016 at the Bucharest Securities Exchange and at the Financial Supervision Authority as well.

On 30.06.2017 the company has the following points of work:

1. Headquarter, located in Oradea, Piata Emanuil Gojdu nr 53 bloc A10;
2. Hotelul Doubletree by Hilton, located in Oradea, Aleea Strandului nr 9;
3. Hotel si Autogara Beta, located in Cluj Napoca, str Giordano Bruno nr 1-3;
4. Hotel Rusca, located in Hunedoara, Bdul Dacia nr 10;
5. Eurohotel Baia Mare, located in Baia Mare, Bdul Bucuresti nr 23
6. Eurohotel Timisoara, located in Timisoara, str Mehadiei nr 5
7. Sediul secundar, located in Bucuresti Calea Floreasca nr 175
8. By the Decision of the Board of Directors No. 1 of 28.04.2017, the opening of a new working place, Cantina Rusca, located in Hunedoara, str. Traian nr 19, was approved, space for which a contract with SC DAR Draexlmaier Automotive SRL was concluded.

Presentation of the company's assets:

Doubletree by Hilton Oradea Hotel is located on Aleea Strandului nr 9, category: 4*, height regime: B(basement)+G(ground floor)+8, 12,660 square meters spread area.

The Hotel has 147 rooms, of which: 44 Standard Rooms with "King Size" bed, 42 Standard Rooms with 2 beds (Twin), 51 "Deluxe" rooms with balcony or terrace, 3 rooms for people with disabilities, 7 "One Bedroom Suite" apartments,

Laurus Restaurant and two lounges: 180 seats capacity

Cris Bar cafe: 65 seats capacity

300 sq.m. Conference center, made of 5 rooms of different capacities,

SPA: covered pool, wet and dry sauna, jacuzzi, fitness room, treatment center with 7 rooms

Beta Cluj Napoca Hotel: is located on Giordano Bruno street, no. 1-3

Category 2*, height regime: G(ground floor)+5, 1,665 square meters spread area.

The Hotel has 30 rooms, of which: 2 master bedrooms, 23 Twin rooms. 1 single room, 4 triple rooms, 10 of the total number of rooms are classified as category 1*.

Restaurant: 80 seats capacity - rented.

Conference room: capacity: 30 seats

Bus stop platform: 13 places capacity (for buses)

RuscaHunedoara Hotel: is located on Dacia Ave., no. 10, the main road artery of the city.

Category: 3*, height regime: G(ground floor)+4, 6163.44 square meters spread area.

The Hotel has 103 rooms, of which: 53 master bedrooms, 8 single rooms, 40 twin rooms, 2 apartments

Restaurant: category 3*, capacity: 220 seats.

Day bar: category: 3 stars, area: capacity: 40 seats

Conference room: capacity: 70 seats

Baia Mare Eurohotel: is located on București Ave., no. 23, the main road artery of the city.

Category: 3*, height regime: G(ground floor), useful surface: 3418 m2,

The Hotel has 64 rooms, of which: 21 master bedrooms, 5 single rooms, 35 double rooms, 3 studios.

22 of the total number of rooms are classified as category 2*.

Restaurant: category: 3*, area: 274 sq.m., capacity: 180 seats. The hotel restaurant, arranged on 2 levels, with a capacity of 180 seats and an interior stair which completes the special interior design, offers a rich variety of traditional and international cuisine, special beverages and deserts.

Day bar: category: 3 stars, area: 70 sq.m., capacity: 46 seats

Terrace: area: 60 sq.m., capacity: 44 seats

Conference rooms: Red Lounge: area: 136 sq.m., capacity: 170 seats

Multipurpose hall: area: 49 sq.m., capacity: 50 seats

Leisure time: fitness and body building halls (95 sq.m.), pool (80 sq.m.), sauna

Other services: massage, hairdresser and cosmetic salon, washing room, phone / fax

Timisoara Eurohotel: is located on Mehadia street, no. 5

3* category, area: 1,905sq.m., height regime: G+4

The Hotel has 47 rooms, of which:33 single rooms (king size bed), 11 double rooms (two beds), 3 apartments

Conference hall with a capacity of 15 persons

Breakfast room with a capacity of 58 seats

Bar.

SIF Hoteluri SA does not carry out activities that imply a significant impact on the environment. There are no and no disputes concerning the violation of the environmental legislation, the company having environmental permits for all work points.

The company does not carry out research and development activities.

Legal status:

The company, being the successor of ICSAP, has acquired, by means of law, the property right on the assets (law 15/1990 and Gov. Decision 834/1994). The constructions and lands are registered in cadastral books. The hotel investment which was made and completed in 2012 is also registered with the cadastral office.

Issues related to the company's employees / personnel

The average number of personnel registered in 2017 was 172 people and the effective number of personal on 30.06.2017 is 170. The company's employees do not have a union.

The relations between manager and employees are relations of collaboration and mutual understanding. There was no major incident between the executive management and employees during the concluded financial year.

The short term obligations and benefits granted to employees are not up dated and they are recognized in case of the global result as the respective service is carried out.

The short term benefits of the employees include salaries, bonuses and contributions to social security. The short term benefits of the employees are recognized as expense when the services are carried out.

The company makes payments in the name of its employees to the pension system of the Romanian state, social security and unemployment fund, in the course of its normal activity.

All Company employees are members and they also have the legal obligation to make contributions (my means of social contributions) to the pension system of the Romanian state (a plan of established contributions of the Romanian state). All due contributions are acknowledged in the profit or loss account of the period when they are made. The company has no additional obligations.

The company is not engaged in any private pension system and, therefore, it has no other obligations in this sense. The company is not engaged in any post pension benefits system. The company has no obligations to perform further services to its former and current employees.

The company has no obligation to pay benefits to employees upon retirement.

Investment activity

In 2017 there were bought fixed assets for the amount of 70 thousand lei, representing:

- a) Pumps (2 units for the pool), a restaurant moistening terrace system, three Daikin air conditioning systems (for restaurant and kitchen), a scanner used at the reception and a pool vacuuming robot, purchased at the Doubletree by Hilton Hotel;
- b) A heat exchanger with the Imvu pump - purchased at the Hotel and Beta Autogara
- c) Given that a new working point was set up in Hunedoara, namely Cantina Rusca, the company acquired between May and July 2017 a stock inventory of the nature of inventory objects in the amount of 19,000 lei.

2. COMPANY'S TANGIBLE ASSETS

The net value of the tangible assets of the unit at 30.06.2017 at the reevaluated value is 104.747.378 lei growing by 3,15 millions lei compared to the value at the beginning of the year. This increase is due to the granting of a loan of 1.5 million lei to the company Napomar SA, the acquisition of 489.16 fund units worth 4 million lei, while the depreciation related to the fixed assets for the first semester ROL 2,55 million. The buildings and land are presented at the reevaluated values, the latest reevaluation being made on 31.12.2016 by Darian SRL. At the end of 2016, the company reevaluated the non-current assets like lands and buildings, by an independent valuator, ANEVAR member. The other tangible assets are evaluated at historic cost, less the cumulated depreciation. The reevaluation

report was made in order to establish all real estate properties of SIF Hoteluri SA, in order to register the fair value in the accounting books. The fair value is the amount for which an asset could be changed or a debt could be deducted, willingly, between two interested parties, having the necessary information, within a trading carried out in objective conditions, with the objectively determined price (IAS 16). The reevaluated value is the fair value of an asset on the date of reevaluation, minus any previously accumulated depreciation and any losses accumulated out of depreciation (IAS 16).

The lands owned by the company are presented at the reevaluated value on 31.12.2016. The buildings in the company's patrimony are presented at the reevaluated value, less the accumulated depreciation, according to the alternative accounting treatment accepted by Order 2844/2016.

Given that the financial statements were made according to the Order 881/2012, the tangible assets were divided in two major groups: directly managed tangible assets and investment property. The investment property is made of fixed assets (buildings, lands, equipment, furniture ...) given for rent.

Therefore, the tangible assets and real estate investments show like this:

Tangible assets and investment property	Net accounting value (lei)			Weight
	Own activity	Investment property	Total	%
Land	12.417.953	0	12.417.953	12,55%
Constructions	76.569.951	6.488	76.576.439	77,38%
Technical installations and means of transport	3.031.040	-	3.031.040	3,06%
Furniture, office appliances, other tangible assets	6.767.157	-	6.767.157	6,84%
Prepayments and fixed assets in course of construction	173.126	-	173.126	0,17%
Tangible assets and investment property - total	98.959.227	6.488	98.965.715	100,00%

Constructions have the greatest weight from the total of tangible assets (77%).

3. THE MARKET OF ISSUED TRANSFERABLE SECURITIES

3.1 The Romanian market and the market from other countries where the transferable securities issued by the company are negotiated

Starting with May 2012, the shares of SIF HOTELURI S.A. Oradea have been traded at Bucharest Stock Exchange.

The number of the shares and shareholders is registered, according to law, with SC Depozitarul Central SA Bucharest.

On 21.01.2013 there took place the Special General Meeting of Shareholders of SC Calipso SA. By the SGMS Decision no. 1 / 21.1.2013, in order to cover the risk of decapitalization of the company as a consequence of the increase of hotel investment, it was approved the increase of company's share capital with 6.741,50 lei, the new share capital value being 51.688.100 lei. The share capital increase was made by cash contribution and issuance of new shares offered for sale to the shareholders existent at the registration date, based on the preferential right on the percentage owned in the share capital, each shareholder having the possibility to subscribe for 20 owned shares a number of 3 new shares.

On 29.03.2013 the majority shareholder of SIF Hoteluri SA Oradea, SIF Banat Crisana subscribed a number of 2.606.462 shares at a nominal value of 2,50 lei/share.

On 28.04.2013, the last day for the exertion of the subscription right, 2.606.462 shares out of 2.686.771 shares offered for sale, were subscribed, shares representing 96,65% of the shares offered for subscription, with preferential right.

Pursuant to SGMS decision no. 1 / 21.1.2013, a number of 90,309 shares of 2,50 lei/share representing the amount of 225,772.50 lei were canceled by SIF Hoteluri SA Oradea Decision no. 626/29.4.2013.

The new value of the subscribed share capital on 31.12.2014 was 51,462,327,50 lei. Subsequent to the full payment of the issued share capital, the Certificate for Registration of Transferable Securities no. AC-2177-8 was obtained on 20.02.2014.

On 15.10.2015 ended the merging operation according to the merging project 133/24.03.2015 and Bihor Court's Decision no. 105/2015 dated 10.09.2015, whereby SIF Hoteluri SA absorbed other five companies that had the same majority shareholder: Beta Transport SA ClujNapoca, Transeuro Hotel SA Baia Mare, Hotel Mesesul SA Zalau, Rusca SA Hunedoara, Valy-Tim SA Timisoara. On 06.11.2015 they picked up the Resolution no. 11465 dated 03.07.2015 whereby the National Trade Register Office (NTRO) attached to Bihor Court admitted the registration of the submittal of the request for finding the merging legality. Based on the merging project, SIF Hoteluri SA company increased its share capital from 51,462,327.50 lei to 80,356,102.50 lei, the nominal value of a share being 2.50 lei

Subsequent to the merging, there were undertaken from the absorbed companies shares bought back from shareholders in the amount of 6.558 lei.

During the financial year 2017 the company did not buy back shares.

At 30.06.2017, the status of SIF Hoteluri SA is as follows:

Total number of issued shares (31.12.2015)	32,142,441
Nominal value	2.50 lei / share
Type of shares	common, ordinary, nominative, dematerialized, indivisible
Trading market	The open regulated market of Bucharest Stock Exchange (BVB), category standard - of 11 May 2012
BVB symbol	CAOR

3.2 Company's policy on dividends

The dividends approved in the last three years are as follows:

Year	Total dividend (lei)	Dividend per share (lei)
2013	-	-
2014	-	-
2015	-	-

3.3 The activity of buying its own shares

The company did not buy its own shares during the financial year 2017.

3.4 Company's subsidiaries

The company does not have any subsidiaries.

3.5. Debentures and other type of receivables

SIF Hoteluri S.A. has undertaken by merging some shares held in other companies, according to the table below:

Issuing company	No. of shares
BIO - Biofarm	19,432
PPL - Prodplast	451
PRSN - Prospectiuni	20,000
TLV - BancaTransilvania	7,110
TOTAL	46,993

4. CORPORATE GOVERNANCE

The compliance with the Corporate Governance Code of Bucharest Stock Exchange (CGC)

The Board of Directors decided to voluntarily comply with the Corporate Governance Code of Bucharest Stock Exchange (CGC), decision taken by the Board of Directors, occasion on which it was approved the Corporate Governance Regulation of SIF Hoteluri SA Oradea.

SIF Hoteluri, as issuer, listed under BVB category II, considers the observance of the corporate governance principles from the Corporate Governance Code of Bucharest Stock Exchange.

The company has documents and regulations specific to corporate governance which are found in the company's "Articles of Incorporation", in the Organization and Operation Regulation (R.O.F.), in internal regulations and decisions, where are listed the functions and described the competences and responsibilities of the Board of Directors and of the executive management.

On the company's web-site, that is www.sif-hoteluri.ro, there are disseminated informations concerning the corporate governance policy of SIF Hoteluri:

- the list of members of the Board of Directors and of the executive management;
- the updated Articles of Incorporation;
- the Corporative Governance Code

Pursuant to "Apply or Explain" Declaration, SIF Hoteluri certified that it has complied with the set up principles. The non-compliance cases refer to:

(1) The management system, which in the case of SIF Hoteluri is a unitary, not dualist system, as recommended by CGC and which complies with the company's statute, specific to Romanian companies.

(2) As concerns the consultative committees and commissions stipulated by BVB's CGC, the Board of Directors analyses the setting up of these committees and commissions related to the present structure of the Board of Directors.

Company's management

The Board of Directors

According to the provisions of the Articles of Incorporation, SIF Hoteluri is managed by a board of directors (BD) made of 3 members, chosen by the General Meeting of Shareholders for a period of 4 years, with the possibility of being re-elected.

The Board of Directors has decisional competences regarding the company's administration in the interval between general meetings, except for decisions stipulated by law or by The Articles of Incorporation exclusively for the General Meeting of Shareholders.

The Board of Directors choses a president from its members. The president has the position of General Manager and actual manager of the company.

In the present mandate of the Board of Directors, chosen by the General Meeting of Shareholders in 30.03.2016, the structure of the Board of Directors ensures an equilibrium between executive and non-executive members, the rate being 1/3.

Pursuant to the provisions of Law 31/1990, annually, the General Meeting of Shareholders approves the remuneration policy for the managers and members of the executive management.

Pursuant to the statutory provisions, the Board of Directors has a meeting at least once in 3 months to monitor the company's activity.

SIF Hoteluri SA observes the rules concerning the behaviour and obligation of reporting the trades with shares issued by the company, made on personal account by managers and other natural persons involved, these rules being observed by the people involved, according to ASF regulations. The exact, specific rules are found in the Corporate Governance Regulation of SIF Hoteluri SA which came into force during 2013.

The list of people who have access to privileged information is constantly updated and sent to ASF. The trades made by initiated people shall be notified both by the people themselves and by intermediaries and the information is disseminated by means of Bucharest Stock Exchange web-site.

ADMINISTRATORS IN OFFICE on 30 June 2017

Surname and first name	Position	Expiration of the current mandate
Ion Alexandru Sorin	President, General manager	2020
Sferdian Teodora	Member of the board	2020
Avramoiu Octavian	Member of the board	2020

Board of Directors' Activity on 2017

During 2017, The Board of Directors of SIF Hoteluri SA had meetings according to the statutory provisions, the administrators' presence at the meeting being within the legal provisions.

The President of the Board of Directors presided over all meetings in 2017.

All decisions were taken with the pro vote of all those present.

All decisions were decisions with a well determined objective, needing fulfillment.

Administrators' participation to the share capital of SIF Hoteluri SA

Administrator	Number of shares	% of the share capital
Ion Alexandru Sorin - president of the BD - non-independent administrator	0	0
Avramoiu Octavian - member of the BD - non-executive, non-independent administrator	0	0
Sferdian Teodora - member of the BD - non-executive, non-independent administrator	0	0

Executive's management:

ION ALEXANDRU-SORIN	– General Manager	– term: 01.05.2018
BIRLEA VASILE RADU	– Economic Manager	– term indefinite

Observance of shareholders' rights

SIF Hoteluri SA observes the shareholders' rights, providing them a fair treatment. For the General Meeting of Shareholders that took place on 28.04.2017 details about the meetings were published in a section dedicated to the company's website www.sif-hoteluri.ro, details concerning the meeting: notice of the GMS, materials afferent to the agenda as well as any other information concerning the agenda, forms for vote casting by means of a proxy and ballot paper for vote by mail, the participation and voting procedures which ensure the orderly and efficient procedure of the GMS works and which confers the right to every shareholder to freely express his opinion on the issues in debate, the decisions taken at the GMS and information concerning the vote result.

For the financial year 2017 it was posted on the site, within the legal term, information regarding the financial calendar, current reports, annual, half-yearly and quarterly reports.

At SIF Hoteluri SA there are three people trained in the field of relations with investors, this activity does not require for the time being the existence of a specialized department for this purpose within the company.

Transparency in communication

SIF Hoteluri SA gives a special importance to transparency in communication, and there are made continuous and periodical reports including all important aspects of the company's activity, its performance etc.

On the company's site, there is a presentation about the company and all its activities and also its relations with shareholders and investors. In "Notices" section there is disseminated information of interest for shareholders and investors and are presented current and periodical reports about the company's activity, in Romanian language.

Financial reporting

The 2017 H1 financial report were made based on International Financial Reporting Standards (IFRS) (Order no. 2844/2016 sub subsequent completions and amendments) and it offers a fair image, according to the reality, about the state of the assets, debentures, financial position, profit and loss account of SIF Hoteluri SA.

Pursuant to the legal provisions, the financial accounting statements were not audited.

Internal control and risk management

The internal control monitors and verifies regularly the application of the new legal provisions concerning the company's activity, verifies the observance of the company's internal regulations that were established by internal decisions and regulations, the completion of existent regulations or introduction of new regulations, specific to the company's activity, setting up or improvement of company's internal procedures.

SIF Hoteluri SA has concluded a contract for an Internal Audit with Dumitrescu Mariana practice, who performs periodic audits of the company's activity in order to provide relevant information about these activities, she makes recommendations for the improvement of activities, procedures, controls. The internal audit activity takes place based on the company's plan for the annual audit procedure.

Inside the company, there are people authorized to perform an internal control. Therefore, all documents entering the company are registered at the secretariat and submitted for endorsement to the general manager, who divides them on departments. The invoices for services and investments are endorsed by the administrative office and afterwards by the economic manager, who verifies them from the contractual point of view (quantity, value...). The acquisitions of goods and raw materials needed for the public food-service activity are made by the employees in the supply department, only based on orders priorly approved by the general manager. The acceptance of the raw materials and goods from the point of view of quantity and value is made at every business facility in part. All documents present at the business facilities are registered in the local information system and they are transferred to the company's server via internet. The invoices for the acquisition of goods and materials are sent daily to the company's registered office where the head of the accounting office checks the physical documents against the accounting entries made at the respective business facility. At the end of the month, the head of accounting office compares the registered invoices with the sale purchase registers.

Monthly, the economic manager presents to the general manager, who, in his turn analyses, the results of the concluded month together with the members of the board. The results presented by the economic manager for the ended month are: the status of accomplished activities, of the financial position, of the global result, cash-flow. Investments approved by the General Meeting, receivables and debts status based on maturity date.

The business facilities will conclude agreements concerning the income and expenses budgets for the next periods, paying attention every month not to exceed the initially set budget.

The conflict of interests and trades with the people involved

For the purpose of accurate identification and settlement of the conflict of interest cases which stipulate that all investments or sales of transferable securities shall be made only in the shareholders' interest and not for any other reasons, the Board of Directors adopted a standard settlement procedure for such cases in its Corporate Governance Regulation. In the event of a conflict of interest between the company's interest and the personal interest of a decision-making person (a member of the Board of Directors) or decision-making employee (executive management) the solution is the retirement of the person involved from the decision-making process.

The internal regulations impose the employees the interdiction of engaging in associated trades that might violate the A.S.F. regulations.

When a conflict of interests appear among managers, they inform the Board of Directors of this issue and restrain from debates and vote on the respective issue, according to the relevant legal provisions; these cases are recorded in the Minutes of the Board of Directors' meeting.

Corporate information regimen

The standard procedure concerning the internal circuit and dissemination to third parties of documents and information on the issuer, that might influence the market price of the transferable securities issued by the latter, was regulated by means of the Corporate Governance Regulation.

The persons vested with competences for this purpose draw up regularly notifications on the implications of the regulatory provisions concerning the management of privileged information (defined in art. 244 of Law 297/2004) within SIF Hoteluri SA, as well as concerning the obligations of initiated persons. The information is submitted to the Board of Directors for analysis and approval.

Issuer's social responsibility

SIF Hoteluri SA carries out activities concerning the company's social responsibility all the time, supporting every year directly or by means of foundations / specialized associations, the socially disadvantaged people from the local community where it carries out its activity.

Other information

On 30.06.2017, the company is part of the following litigations:

Civil litigations:

- The company is involved as defendant in the litigation that is on the the dockets of Bihor Court – file no. 2147/111/2014, plaintiff HajduBauKivitelezoesKereskedelmiKorlatoltFelelosseguTarsasag "Felszamolasalatt", they claim the amount of 9.687.769 lei, of which:
 - 6.045.915 lei for performed and not accepted works;
 - 1.641.854 lei performance bond retained by the company;
 - and 2.000.000 lei moral damages.

The object of the litigation is the cancellation of the works contract (undertaking) by the defendant, cancellation that took place in 2011.

In this file, SIF Hoteluri requested the Court to dismiss all claims made by the plaintiff and made a counterclaim against the defendant, asking for a ruling to oblige the plaintiff HAJDU-BAU to pay the equivalent value of the prejudices caused by non-observing the contractual obligations and also to pay the amounts representing the equivalent value of certain works that have not been performed although they were paid, and also to pay default interest, provisionally estimated at the amount of 800.000 lei;

As evidence, the parties asked the documentary evidence, questioning, witnesses and technical expertise in constructions, evidence approved by the court.

At the deadline of June 22, 2017, an expert report was submitted showing that SIF Hotels would still have to pay money, the equivalent of mutual debts being quite close. It is true, however, that these issues do not emerge very clearly from the content of the report, but only from a corroborated

interpretation of the dossier elements, and it is quite likely that it will be ordered to complete the expert report and clarify certain aspects

Considering the rather technical character of the documentary evidence in the file, it is difficult to estimate at this time which are the win/loss chances of SIF HOTELURI SA, these depending mainly on the expertise report that shall be submitted to the case file. The next term given in the case was set up for 12.10.2017.

- A notification received from the State Inspectorate of Constructions in the North-West regarding the adjustment of the 0.1% and 0.7% quotas related to the building permits no 1254/2007 and 1112/2009 to the objective of the Hotel Complex Calipso; An appeal against the administrative act issued by ISC is to be filed, having as object the appeal of the amount of the debit as well as the method of calculating the sums imputed to us as delay penalties. We suppose that these divergences will generate a litigation in administrative and fiscal litigation and will have as object the annulment of the administrative act and, in the alternative, the correct recalculation of the amounts that we owed to ISC
- The file no. 11512/182/2016 on the dockets of Baia Mare Court whereby the Company (as lender) request the Court to oblige the debtor VACANTIORAMA SRL to pay the amount of 1173,2 lei representing the equivalent value of the hotel services. Was filed by the company-enforcement request on 20.07.2017.
- The file no. 9189/182/2016 on the dockets of Baia Mare Court whereby the Company (as lender) request the Court to oblige the debtor Handbal Club Municipal Baia Mare to pay the amount of 81479,2 lei representing the equivalent value of the hotel services. The file was suspended but the debtor went into insolvency proceedings. After the closure of the insolvency procedure, it will be possible to deal fiscally with the unsecured claim.
- The file no. 11511/182/2016 on the dockets of Baia Mare Court whereby the Company (as lender) request the Court to oblige the debtor MAXIM EVENTS -INCENTIVE S.R.L. to pay the amount of 10,224 lei representing the equivalent value of the hotel services, 1200 lei trial expenses. On 09.02.2017 the Court admitted the creditor's request. There is an Execute Decision - A request for attachment and a new ANAF query has been sent to issue a new attachment
- File 15349/3/2016 Bucharest Tribunal - insolvency proceedings; Debtor: PERFECT TOUR; Deadline: 21.11.2017; Outstanding Debit: 8,051.75 lei
- File 945/111/2017 Tribunal Bihor - litigation work (contestation decision to sanction and sell labor contract, applicant: BOJE NICOLETA, Stadiu: finalized in the first instance, the hotel being obliged to pay all salary rights requested by the applicant including the applicant's re-employment The amount is not specified and the Sentence has not been communicated to us at this point in time, and we are going to file the appeal when the sentence will be communicated to us Mr. Boja NICOLETA formulated by the Hotel Penal Case filed at The Prosecutor's

Office attached to the Oradea Court, filed criminal file No. 164 / P / 2017, but no documents have been communicated until now, being just called to statements.

- File 1864/111/2016 Court of Appeal Oradea - Appeal (administrative act annulment); Parat: ITM Bihor; Deadline: 28.04.2017; Stage: Completed, the appeal filed by ITM Bihor was rejected
- A complaint was filed and filed on March 27, 2017 against the Verbal of Contravention process drawn up by ITM Bihor, which ordered the application of the fine in the amount of 30,000 lei. In this respect, the file with no. 4839/271/2017 having the first term on 11.09.2017; A complaint was also filed against the control record that was registered at the Bihor Court and which is the subject of the File no. 4003/111/2017. So far, the first term of judgment has not been established.
- File 4499/30/2017 Tribunal Timis - claims (Administrative and tax contentions - fund); Defendand: Timis County Health Insurance House and National Health Insurance House; Stage: Fund - it is not fixed until now; Amount to be recovered: 20,724 lei
- File 11942/325/2017 Judecatoria Timis; Parat: Imperial Corona S.R.L .; Deadline: 24.07.2017; Stage: the debit was paid by the debtor, a request for waiver was filed by SIF HOTELS S.A. But at the last term the citation procedure was not fulfilled - with the debit-motive for which it was given term as of 24.07.2017 -; Recovered debit: 25,544 lei
- File 1434/243/2016 Hunedoara Court of Appeal - appeal to the civil decision no. 331 / 06.03.2017; Plaintiff, Romanian Television Society, judgment term 18.09.2017

5. FINANCIAL-ACCOUNTING STATEMENTS

Pursuant to Ministry of Finances Order 881/2012 and the Methodological Norms issued by The Ministry of Finance no. 1286/2012, all companies publicly traded since 1 January 2013, have to draw up financial reports according to IFRS.

The Financial Statements on and for the 2017 H1 financial reports, drawn up according to the requirements of the Ministry of Public Finances' Order no. 2844/2016 for the approval of the accounting standards conform with The International Financial Reporting Standards, applicable to companies whose titles are traded on a regulated market and with further subsequent amendments with the requirements and full notes are attached to the present report.

Statement of financial position on 30.06.2017:

Explications (all amounts are presented in RON)		
	31.12.2016	30.06.2017
A	1	2
ASSETS - TOTAL, of which:	115.417.773	114.111.512
NON-CURRENT ASSETS - TOTAL, of which:	101.597.078	104.747.378
Intangible assets	3.660	2.638
Tangible assets managed in house	101.305.651	98.959.227
Real estate investments	8.648	6.488
Other non-current assets	279.119	5.779.025
CURRENT ASSETS - TOTAL, of which:	13.820.695	9.364.134
Stocks	280.791	248.729

Trade receivables	378.398	427.015
Other receivables	48.431	114.336
Short term investments	66.856	25.261
Cash and cash equivalents	12.951.805	7.870.652
Prepayments	94.414	678.141
DEBTS - TOTAL, of which:	17.444.678	17.824.106
CURRENTS DEBTS - TOTAL, of which:	4.843.955	5.551.060
Long term loans (credits below 1 year)	684.711	684.834
Short term debts	978.759	1.420.644
Amounts owed to associated entities and joint controlled companies	0	0
Other debts, including fiscal debts and social insurance debts	3.021.670	3.418.582
Provisions	13.500	27.000
Deferred income	145.315	0
NON-CURRENT LIABILITIES - TOTAL, of which:	12.600.723	12.273.046
Long term loans (credits below 1 year)	9.254.279	8.942.897
Non-current liabilities	0	0
Amounts owed to associated entities and joint controlled companies	0	0
Other debts, including fiscal debts and social insurance debts	3.346.444	3.330.149
EQUITY - TOTAL, of which:	97.973.095	96.287.406
Subscribed share capital	80.356.103	80.356.103
Adjustments of the share capital	0	0
Merging bonuses	-9.152.783	-7.167.078
Reserves from the reevaluation of the tangible asset	18.183.511	18.183.511
Legal reserves	1.411.826	1.411.826
Other reserves	9.924.434	9.924.434
Carried forward result, except for the carried forwards result resulted from the adoption for the first time of IAS 29	-5.885.782	-4.520.680
Carried forward result resulted from the adoption for the first time of IAS 29	-537.297	-215.021
Profit or loss at the end of the reported period	3.673.083	-1.685.689
Profit appropriation	0	0
TOTAL EQUITY AND DEBTS	115.417.773	114.111.512

The non-current assets register a 3,10% grow As a result of a loan of 1.5 million lei to the company Napomar SA, the acquisition of 489.16 fund units worth 4 million lei, while the depreciation related to the fixed assets in the first semester was recorded in the amount of 2, 55 million ROL.. Within the non-current assets, the tangible assets have a 94% rate.

The value of the current assets decreased by RON 4.45 million as compared to the beginning of the year due to cash outflows in the company, used for the purchase of 489.16 fund units worth RON 4 million, but also for the loan granted to Napomar SA.

Stocks analysis

	31.12.2016	30.06.2017
Other consumables	75.887	108.789
Inventory objects	26.977	-
Packaging	2.178	2.121
Raw materials and consumables	115,133	105,042
Goods and packaging	172.416	137.819
Shopping advance payments	3.333	-
Total stocks	280.791	248.729

Receivables analysis

The commercial receivables grew with 12% compared to 2016

Commercial receivables	31.12.2016	30.06.2017
Customers	312.022	379.870
Doubtful customers or customers involved in litigations	128.206	127.250
Customers – invoices to be issued	66.376	12.471
Advances given to service suppliers	-	35.677
Adjustments of impairment of receivables - customers	(128.206)	(128.253)
Total commercial receivables	378.398	427.015

Nota 23 Another Receivables

	31.12.2016	30.06.2017
Different debtors	36.847	51.287
Interests to be cashed	-	39.452
VAT on receipt	11.584	23.597
Total alte creante	48.431	114.336
Total Receivables	426.829	541.351

Liabilities analysis

- capital and funds;
- debts.

The equity decreased with 1.72% in 2017 compared to 2016, subsequent to the registration of the financial result. An important percentage in the equity (approx. 83%) has the share capital.

The legally reserve fund was made based on the legal regulations in force (5% from the accounting profit up to the competition of 20% of the share capital). The value of the legal reserve on 30.06.2017 was 1.411.826 lei.

Debts analysis

a) Commercial debts	31.12.2016	30.06.2017
Suppliers	621.344	843.787
Non-current assets suppliers	42.496	34.373
Suppliers-invoices to be received	292.354	370.860
Customers in debt	22.565	171.624
Total commercial debts	978.759	1.420.644
bs		
b) Other short term debts	31.12.2016	30.06.2017
Debts towards employees	654.461	599.472
Debts towards the state budget and social security budget	240.766	249.198
VAT to be paid	20.000	104.390
Specified tax / tax on profit	1.558	248.777
Other taxes	4.048	28.561
Sundry creditors + in the process of clarification	81.710	156.369
Guarantees retained from constructors and tenants +	2.019.127	2.031.815

concession 1

Total short term debts	3.021.670	3.418.582
Short term loans	31.12.2016	30.06.2017
Short term bank credits	684.711	684.834
Total short term loans	684.711	684.834
Deferred income and provisions	31.12.2016	30.06.2017
Accruals	145.315	-
Provisions	13.500	27.000
Total deferred income and provisions	158.815	27.000
c) Long term loans	31.12.2016	30.06.2017
Long term bank credits	9.254.279	8.942.897
Total long term loans	9.254.279	8.942.897
Other long term liabilities	31.12.2016	30.06.2017
Future debts related to the contract for concession of the land for parking lot under the hotel	331.575	315.280
Delayed taxes	3.014.869	3.014.869
Total delayed taxes	3.346.444	3.330.149

Credite bancare

Principal 2017

Loan account	Initial sold on 01.01.2017		Reimbursements 01.01-30.06.2017		Final sold on 30 iunie 2017		Balance due for a period of less than one year		Balance due for a period between 1 and 5 years		Balance due for a period more than five years	
	Eur	LEI	Eur	LEI	Eur	LEI	Eur	LEI	Eur	LEI	Eur	LEI
1621.01	2.186.104	9.927.318	74.105	309.486	2.111.999	9.617.832	148.210	674.936	741.052	3.374.678	1.222.736	5.568.218
TOTAL	2.186.104	9.927.318	74.105	309.486	2.111.999	9.617.832	148.210	674.936	741.052	3.374.678	1.222.736	5.568.218

curs 31.12.2016

4,5411

Interest of 2017

Interest account	Interest rate	Initial sold		Expenses with interest 2017 - ian-iun		Payments ian-iun 2017		Final sold 30.06.2017	
		Eur	LEI	Eur	LEI	Eur	LEI	Eur	LEI
1682.01	euribor 3M +2,8%	2.571	11.673	26.553	120.293	26.950	122.067	2.174	9.898
TOTAL		2.571	11.673	26.553	120.293	26.950	122.067	2.174	9.898

THE PROFIT AND LOSS ACCOUNT

The evolution of the profit and loss account elements in the interval 2014-2015 is presented below:

Indicators name	Reporting period	
	30.06.2016	30.06.2017
A	1	2
Net turnover (row 02 + 03 - 04 + 05)	9.479.497	9.247.460
Income from the sold production	7.023.300	6.460.481
Income from the sale of goods	2.456.197	2.786.979
Other operating income	66.212	41.064
OPERATING INCOME - TOTAL	9.545.709	9.288.524
Raw materials and consumables	1.256.842	1.106.245
Expenses with goods	787.844	791.116
Third parties services	2.464.813	2.402.391
Personnel expenses	3.916.920	3.452.704
Taxes expenses	566.286	449.007
Depreciation expenses	2.653.106	2.554.017
Other operating expenses	11.388	14.071
Adjustments with provisions	-82.519	13.500
OPERATING EXPENSES - TOTAL	11.574.680	10.783.051
OPERATING PROFIT OR LOSS:	-2.028.840	-1.494.527
Interest income	9.448	109.055
Other financial income	2.718	0
FINANCIAL INCOME - TOTAL	12.166	109.055
Interest expenses	180.710	153.582
Other financial expenses	3.432	22.244
FINANCIAL EXPENSES - TOTAL	184.142	175.826
FINANCIAL PROFIT OR LOSS:	-171.976	-66.771
GROSS PROFIT OR LOSS (A) (before taxation)	-2.200.816	-1.561.298
Tax on current profit (ct. 691)	0	0
Other taxes that were not presented at the before mentioned elements (ct. 6913)	0	124.391
NET PROFIT OR LOSS FOR THE REPORTED PERIOD	-2.200.816	-1.685.689

Turnover structure on the last two years, on income types is presented in the table below:

Turnover income (lei)	30.06.2016	30.06.2017
Rentals	323.769	169.330
Hotel activities - accomodation	2.492.200	2.815.734
Bus station	6.093.369	5.832.093
Other turnover income	570.159	430.303
Total	9.479.497	9.247.460
Structure of turnover	Value	%
Rentals	169.330	1,83%
Hotel activities - accomodation	5.832.093	63,07%
Bus station	2.815.734	30,45%
Other turnover income	430.303	4,65%
Total	9.247.460	100,00%

The revenues of the company were made from accommodation (63%), rental (2%), food (30%) and other activities related to hotel activity (5%).

Within the structure of the total expenditures a very large share (over 97%) is the exploitation expenses. Raw materials and materials account for 3%, 7% for energy and water, 7% for goods, 32% for staff, 22% for third party services, 4% for taxes and charges, for depreciation 24%.

The financial expenses amount to 0.18 million lei, out of which the interest expenses related to the bank loan are of 0.15 million lei.

Considering Law 170/2016 regarding the specific tax on certain activities, SIF Hotels SA recorded for the first six months of 2017 a specific tax in the amount of 124,391 lei.

On 30.06.2017 the company recorded a loss of 1,685,689 lei.

We specify that no auditor's report has been prepared for the reported period.

Signatures:

PRESIDENT OF THE BOARD OF DIRECTORS

Ion Alexandru Sorin