



3rd QUARTER REPORT 2019

TRANSILVANIA BROKER DE ASIGURARE S.A.

Issuer admitted to trading on the main regulated market of Bursa de Valori București S.A. (Bucharest Stock Exchange)

Issuer **TRANSILVANIA BROKER DE ASIGURARE S.A.** presents to all interested parties the financial results for the third quarter of 2019.

The quarter report is prepared pursuant to the provisions of art. 130 of the FSA Regulation no. 5/2018

Report date: 13.11.2019

Issuer: TRANSILVANIA BROKER DE ASIGURARE S.A.

Headquarters: Calea Moldovei nr. 13, Bistrița

Phone/Fax: P: 0263-235900/, F: +0263-235910

Fiscal code: 19044296

Trade Registry no : J06/674/2006

Subscribed and paid capital: 500.000 lei

The market on which the issued securities are traded: The regulated market, Main Segment, Standard Category

A. ANALYSIS OF THE ECONOMIC AND FINANCIAL INDICATORS

1. Liquidity and solvency indicators

Liquidity and l indicators	Calculation	30.09.2018	31.12.2018	30.09.2019	Reference period
Current ratio / Quick ratio	Current assets/Current debts	1,677	1,962	1,658	>2
Cash ratio	Cash/Current debts	0,673	0,954	0,675	>0.5
Leverage ratio	Total Asset /Total debts	1,715	1,870	1,709	>1
Equity to capitalization ratio	Equity /(Long term debt + Equity) *100	100%	79,3%	81,9%	>30%

The company's liquidity ratios reflect the particularities of the insurance brokerage activity, where the terms of settlement of receivables and debts in relation to the insurers are strictly regulated and legally ceased within maximum 30 days from the issuance of the insurance policy. In this context, the evolution of the current / quick ratios - which overlap under the conditions of a zero-stock value - reflects variations in the intensity of intermediation activity from previous settlement cycles and much less the company's ability to finance the current debt on current assets.

For increased relevance, given the fact that the debts and receivable incident to the brokerage activity itself are directly correlated, part of the same intermediate cash flow with strictly regulated payment terms, the liquidity ratios were also calculated exempted from claims and liabilities directly related to the intermediation activity. The adjusted quick ratio at 30.09.2019 is of 6.18, over 3 times the reference threshold. The accounts receivables other than those of the intermediation activity are also 1.14 times higher than the short-term debts – other than debts related to the distribution activity.

The over 3.8 million lei available cash at the end of the reporting period covers the current debts in proportion of 67.5%, the cash ratio figures being significantly above the minimum comfort threshold (of 50%).

The third quarter of fiscal year 2019 shows high levels of both the extent to which the assets of the company can finance the total debt, as well as the ability of the company to self-finance and to meet its payment obligations. The evolution of the assets – to – debt ratio as compared to the same period of the previous financial year is due to the contracting of the long-term loan intended to finance the acquisition of real estate properties in accordance with EGMS no. 8 / 06.12.2018.

2. Indebtedness indicators

Risk indicators	Calculation	30.09.2018	31.12.2018	30.09.2019	Reference Period
Long-term debt to capitalization ratio	Borrowed Capital / Long-term capital*100	0.00%	20,7%	18,11%	<50%
Debt to equity ratio	Total debts/Total assets*100	58,3%	53,5%	58,52%	<80%

Compared to the same period of the previous year, the level of debt does not present significant changes, while the borrowed capital for the purchase of real estate has determined the increase of the company's leverage level by 18.11%.

Compared to January 2019, the increase of 2.6% in equity and of 47.5% in debts related to the distribution activity (which, as noted in the previous paragraphs, reflects a higher intensity of the intermediation activity)

led to a slightly favourable evolution of the indebtedness indicator, while the debt-to-equity ratio increased by 5 p.p.. Both risk indicators are well below the maximum comfort threshold, reflecting low levels of financial risk, high ability to meet financial commitments, appropriate credit risk management, as well as easy access to credit financing.

Considering the particularities of the Transilvania Broker's activity of insurance brokerage, as presented in the previous paragraphs, the relevance of the indicator „Days sales outstanding (DSO)" is limited. The Fixed assets turnover ratio - with a directly limited role in generating income from the brokerage activity - presents a value of 25.5 following the acquisition of real estate and land worth 1.7 million lei.

B. OTHER DATA

1. Important events to report

The third quarter of the current financial year confirms the positive trend revealed at 30.06.2019 both in terms of the revenues and profitability. Thus, compared to the same period of 2018, the revenues in the first nine months of 2019 increased by 17% and the net profit registered an increase of 17.3%.

This evolution strengthens the competitive position of Transilvania Broker on the market segment of insurance intermediaries. According to the [latest report of the Financial Supervisory Authority](#)¹ on the evolution of the insurance market in the first half of 2019, Transilvania Broker remains the third in the ranking of insurance / reinsurance brokers after the total volume of intermediate premiums in the first half of 2019, with a market share of 5.51%. The increase of the market share in the first semester by 0.3 p.p. compared to the same period last year, reflects the 11.9% increase in the volume of intermediate premiums by the Transilvania Broker - a relevant development in the context in which the volume of intermediate premiums by the first two ranked brokers increased by 4.9% and respectively 10.6% compared to the same reporting period in 2018.

The average brokerage commission of Transilvania Broker, related to the volume of intermediated premiums increased by one percentage point in the last twelve months, from 17.4% to 18.4%.

The social responsibility initiatives of Transilvania Broker manifested mainly by supporting the local children's soccer team have intensified, the value of donations to these projects increasing more than 2 times compared to the same period last year, up to 176,7 thousand lei.

From the organizational point of view, the third quarter marks the administrative, statutory and legal change of the registered office of Transilvania Broker de Asigurare S.A. in Bistrița, Calea Moldovei no. 13, according to EGMS from 06.12.2018 and recorded by the National Trade Register Office attached to Bistrița-Năsăud Court by the Resolution no. 8721 / 07.11.2019.

¹ ASF, 2019, Evoluția pieței asigurărilor, S1 2019,
https://asfromania.ro/files/analize/EVOLUTIA_PIETEI_DE_ASIGURARI_S1_2019.pdf

2. The financial position and performance of the issuer during the reporting period

2.1 Financial position analysis

ASSETS				
Indicators of the financial position (values are expressed in lei currency)	September 30, 2018	January 1, 2019	September 30, 2019	Variation (%) Trim III 2019 / Trim III 2018
Fixed assets	167.427	1.856.787	2.066.849	
Intangible assets	19.741	18.045	11.313	-37,3%
Tangible assets	123.524	1.816.081	2.043.570	+12,5%
Financial assets	24.162	22.662	11.966	-47,2%
Current assets	8.192.747	8.003.378	9.364.330	+11,3%
Stocks	0	0	0	-
Accounts Receivables, where:	4.903.483	4.111.730	5.549.859	+35%%
receivables from brokerage activities	756.249	836.446	1.136.633	+35,9%
receivables – various debtors	4.147.234	3.275.284	4.413.226	+34,7%
Other receivables	3.289.264	3.891.649	3.814.471	-2,02%
Expenses registered in advance	15.444	11.117	11.672	+5,0%
TOTAL ASSETS	8.375.618	9.871.284	11.442.851	+15,9%

By 30.09.2019, the current assets, which represent the most prominent category of assets in total assets (81.1%) consist of receivables (59.3% of current assets and 41.7% of total assets) and cash (40.7% of current assets and 39.4% of total assets).

Taking into account the 84.4% of "Other receivables" represents receivables in relation to the secondary intermediates (assistant collaborators of Transilvania Broker), the receivables derived directly from the distribution activity with strict payment terms sums up to 96.3% of the total value of the receivables. The increase of the value of the receivables by 35% compared to the beginning of the current financial year reflects the intensity variation of the activity in the last months (settlement cycles) of the reporting periods.

The fixed assets value at the final reporting period, which represents 18.1% of the total assets, increased by 12.5%, given the construction and renovation works (211.7 thousand lei) related to the acquisition of real estate for the relocation of the registered office. The purchases of equipment, means of transport, installations, furniture and office items in the first 9 months of 2019 equals 84.4 thousand lei.

Main structural changes in the company's assets regard receivables - whose share in total assets increased by 6.8 p.p. in the reporting period up to 48.5% on 30.09.2019 and, respectively, cash which, at the end of the third quarter of 2019 represents 33.3%, with 6.1 p.p. less than at the beginning of the financial year.

EQUITIES and LIABILITIES	30.09.2018	01.01.2019	30.09.2019	
Current debts	4.884.097	4.078.759	5.648.154	+38,5%
Bank loans	-	200.400	200.400	-
Debts related to brokerage activity	4.358.267	3.315.470	4.890.836	+47,5%
Other short-term debts	525.830	562.889	556.918	-1,1%
Non-current debts	-	1.199.600	1.049.300	-12,5%
Long-term loans	-	1.199.600	1.049.300	-12,5%
Total debts	4.884.097	5.278.359	6.697.454	+26,9%
Social capital	500.000	500.000	500.000	-
Reserves, from which:	100.000	100.000	100.000	-
Legal reserves	100.000	100.000	100.000	-
Reported result	34.399	34.399	792.926	+2205,1%
Reference result	2.857.122	3.958.526	3.352.471	-15,3%
Total equities	3.491.521	4.592.925	4.745.397	+3,3%
TOTAL EQUITIES AND LIABILITIES	8.375.618	9,871,284	11.442.851	+15,9%

Regarding the evolution and structure of the Company's liabilities, one may note the increase of the short term debt value by 38.5%, as compared to the beginning of the period, reaching a share of 84.3% in total debts as (+7.1 p.p. as of 01.01.2019). The dynamics of the current liabilities related to the brokerage activity, closely correlated with that of the debts related to the brokerage activity, reflects the same increased intensity of the company's activity in the last part of the reporting period as compared to the last month of the reference period.

The long-term debts represent the bank credit for the acquisition of real estate properties for the headquarters. We note that, in relation to the credit institutions, the Company has undertaken a single mortgage loan of 1.4 million lei. Therefore, the indebtedness indicators describe a low level of risk. The borrowed capital represents 18.1% of the long-term capital (compared to 50% the minimum comfort threshold) and the total debts can be financed in a proportion of 58.6% on the company's assets, also within the recommended range (50% - 80%).

2.2. Analysis of economic-financial performance

During the first six months of 2019, the company continues to report higher financial results as compared to the same period of the previous year. The revenues from the brokerage activity and the total operating revenues increase by 16.9%.

Total operating expenditure has developed at the same rate as the revenues (+ 16.9%) in the last twelve months. The sharper increase of the expenditures with the commissions to assistants (+ 17.9%), which is the main category of expenses (91.8% of total operating expenses), accompanied by acceleration of expenses with services provided by third parties (+21, 4%), personnel costs (+ 10%), material expenses (+ 77.2%) and other operating expenses (+ 106%) were corrected by the null value of the expenditure with accounts receivables not expected to be collected, whose value, at 01.01.2019, was 438 thousand lei. Among the categories of expenditures, the dynamics of expenditures with donations (98.5% of other operating expenses), whose value doubled compared to the level as of 30.09.2018, reflects the interest of the Company for social, community and educational involvement.

PROFIT AND LOSS ACCOUNT

Indicators of the financial position (values are expressed in lei currency)	2018 30 septembrie	2019 30 septembrie	Variation (%) trim III 2019 / trim III 2018	Share in income/expenses (%) trim III 2019
Operating incomes , from which:	45.053.710	52.664.461	+16,9%	100%
Income from negotiating contracts	45.007.060	52.664.461	+16,9%	99,96%
Income from other activities related to the business	44.431	20.608	-53,6%	0,04%
Other operating income	2.219	-	-	-
Operating expenses , from which:	41.699.615	48.756.815	+16,9%	100%
Expenditures with commissions due to broker agents	37.945.832	44.755.454	+17,9%	91,8%
Personnel expenditures	1.670.924	1.837.897	+10,0%	3,77%
Expenditures of services provided by third parties	1.331.636	1.615.962	+21,4%	3,31%
Expenditures of material nature as consumables, inventory objects	112.985	200.161	+77,2%	0,41%
Expenses with other taxes, fees and similar payments	53.988	85.879	+59,1%	0,18%
Other operating expenses	87.107	179.407	+106,0%	0,37%
OPERATING PROFIT	3.354.095	3.907.646	+16,5%	-
Financial incomes	13.088	24.415	+86,5%	-
Financial expenses	-	46.451	-	-
FINANCIAL RESULT	13.088	(22.036)	-	-
GROSS RESULT	3.367.183	3.885.610	+15,4%	-
Profit tax	510.061	533.139	+4,5%	-
NET RESULT	2.857.122	3.352.471	+17,3%	-

Structurally, the concern of the company's management for the efficiency of the activity is reflected in the significant decrease of the expenses with the personnel, whose share in total operating expenses decreased from 4.01% to 3.77%. Other categories of expenditures present slightly higher shares: in the reporting period, 3.31% of the total operating expenses, with 0.22 p.p. more than in the reference period; material expenses - in the context of investments in the new premises - increase from 0.27% of total operating expenses at 30.09.2018, to 0.41% by 30.09.2019, other operating expenses from 0.21% to 0,37% in the same period. These relative increases are offset by the cancellation of the expenditure with the adjustment of the current assets value, which represented, on 30.09.2018, 1.14% of the total operating expenses.

The operating result reported on 30.09.2019 is 3.9 million lei, 16.5% higher than the one reported at the end of the reference period.

The Company's financial income in the reporting period represents interest income and registered an increase of 86.5% as compared to the same period of the previous year. This evolution indicates a prudential management of the cash, especially in the context where the financial expenses - also interest expenses, while nonexistent at 30.09.2018, reached 46.5 thousand lei in the first 9 months of this year.



The financial result is reflected in a loss of 22 thousand lei which, associated with the operating profit, lead to a gross result of 3.89 million lei and, respectively, to a net profit of 3.35 million lei, by 17.3% higher than the result reported on 30.09.2018.

As of 30.09.2019, the net profit margin is 6.37%, slightly higher than the profit margin of the reference period (6.34%).

THE PRESENT REPORT IS BASED ON THE NON-AUDITED FINANCIAL STATEMENTS RELEASED FOR THE THIRD TERM OF 2019.

CHAIRMAN OF THE BOARD OF DIRECTORS

Transilvania Broker de Asigurare S.A.,

MR. NICULAE DAN

Bistrița on, 13.11.2019

Balance sheet Transilvania Broker de Asigurare S.A.

on September 30, 2019 (lei)

	January 1, 2019	September 30, 2019
Fixed assets, total of which	1.856.788	2.066.849
Intangible assets	18.045	11.313
Tangible assets	1.816.081	2.043.570
Financial assets	22.662	11.966
Current assets, total of which	8.003.378	9.364.330
Stocks	0	0
Receivables related to brokerage activity and other receivables	4.111.729	5.549.859
Cash and bank accounts	3.891.649	3.814.471
Prepayments	11.117	11.672
TOTAL ASSETS	9.871.283	11.442.851
Current debts, total of which	4.078.759	5.648.154
Debts related to brokerage activity	3.315.470	4.890.836
Amounts due to credit institutions	200.400	200.400
Trade and other debt	562.889	556.918
Net current assets / Net current liabilities	3.935.737	5.497.854
Total assets minus current debts	5.792.525	5.794.697
Non - current debts, total of which	1.199.600	1.049.300
TOTAL DEBTS	5.278.359	6.697.454
Subscribed and paid share capital	500.000	500.000
Subscribed and unpaid share capital	-	-
Reserves	100.000	100.000
Reported result	34.399	792.926
Reference result	3.958.526	3.352.471
TOTAL EQUITIES	4.592.925	4.745.397
TOTAL DEBTS AND EQUITIES	9.871.283	11.442.851

Profit and loss account *Transilvania Broker de Asigurare S.A.*

On September 30, 2019 (lei)

	September 30, 2018	September 30, 2019
Operating income	45.053.710	52.664.461
Income from brokerage activity	45.007.060	52.664.461
Income from other activities in relation to the object of activity	44.431	20.608
Other operating income	2.219	-
Operating Expenses	41.699.615	48.756.815
Expenditure on fees due to brokerage assistants	37.945.832	44.755.454
Expenditure on services rendered by third parties	1.670.924	1.837.897
Expenditure on consumables and materials as inventory items	1.331.636	1.615.962
Expenses with other taxes, duties and similar charges	112.985	200.161
Personnel costs	53.988	85.879
Other operating expenses	87.107	179.407
<i>Operating profit and loss</i>	3.354.095	3.907.646
Financial income	13.088	24.415
Financial expenses	-	46.451
<i>Profit or financial loss</i>	13.088	(22.036)
<i>Gross profit or loss</i>	3.367.183	3.885.610
Profit tax expense	510.061	533.139
<i>Net profit or loss for the financial year</i>	2.857.122	3.352.471

CHAIRMAN OF THE BOARD OF DIRECTORS

Mr. Niculae Dan

HEAD OF ACCOUNTING SERVICE,

Mrs. Pârțiu-Vasilichi Oana