



PRELIMINARY REPORT

on the financial results of *Transilvania Broker de Asigurare S.A.*

as of 31 December 2019

TRANSILVANIA BROKER DE ASIGURARE S.A.

Issuer on the Main Regulated Market operated by Bucharest Stock Exchange (Bursa de Valori București S.A.)

Issuer **TRANSILVANIA BROKER DE ASIGURARE S.A.** presents to all interested parties the preliminary financial results for the end-of-year 2019.

Report date: 25.02.2020

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

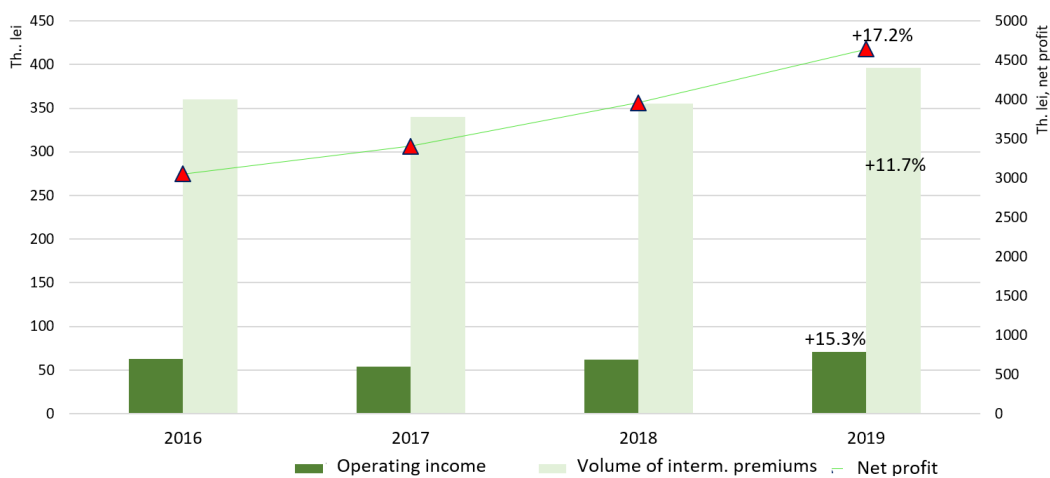
The market on which the issued securities are traded: The regulated market, Main Segment, Standard Category



1. OVERVIEW ON THE ISSUER'S LATE FINANCIAL DEVELOPMENTS

The preliminary results highlight 2019 as the third year in a row of continuous growth for the financial performance of Transilvania Borker de Asigurare S.A. ("Transilvania Broker") as measured in its profits or profit margin. (fig. no. 1). The net profit reported for 2019 (4.639,8 thous. lei) exceeded the last year figures by 17.2%, and by 52.04% the level of 2016. These dynamics were brought forth by the development of other main performance indicators, such as the volume of intermediated premiums or the income from the insurance brokerage activity, which together with the profit indicators exceeded, again, the forecasts. Improving business efficiency has driven the profit margin up to 6.58% in 2019, from 4.88% three years ago.

Fig. no. 1 Performance indicators development, 2016-2019



The indicators assessing the financial position – i.e. liquidity, solvency and indebtedness indicators – display values on a sustained positive trend, well outside the stress intervals.

In 2019, Transilvania Broker maintained its priority of investing in the business key asset, that is the human resources, while focusing on initiatives for marketing, advertising and strategic partnerships.

Meanwhile, the social responsibility initiatives directed mainly on the local children soccer club absorbed in 2019 178.4 thous lei, by 57.5% more than in 2018.

Pursuant to the General Assembly Resolution no. 9/23.04.2019, Transilvania Broker shareholders were entitled to a gross dividend of 1.28 lei/share (+0.24 lei/share more than the dividend settled for the 2017 financial year) which summed up 80.8% of the net profit reported for 2018.

As administrative and statutar events, we would mention the continuation of the contractual terms with the audit company RAO AUDIT OFFICE SRL until 25.07.2022 (GA Resolution no. 9/23.04.2019) and the relocation of the registered office and company's headquarters in 13 Calea Moldovei, Bistrița (as per GA Resolution no. 13/06.12.2018 and reckoned by the Trade Register in Resolution no. 8721/11.07.2019).

2. THE ISSUER'S FINANCIAL POSITION AND PERFORMANCE

2.1. FINANCIAL PERFORMANCE EVOLUTION

Financial performance indicators

(lei)	2018 31 December	2019 31 December	Variation (%) 2019/2018	Share in specific income / exp. category (%), 2019
Operating revenues, of which:	62,144,821	70,625,675	+13.7%	100%
Revenue from insurance brokerage	62,121,897	70,544,204	+13.6%	99.88%
Other operating revenues	22,924	81,471	+255.4%	0.12%
Operating expenditure, of which:	57,484,914	65,218,384	+13.5%	100%
Expenditures with commissions due to broker agents	51,905,798	60,045,230	+15.7%	92.07%
Expenditures of services provided by third parties, of which	2,183,280	2,006,669	-8.1%	3.08%
<i>exp. with advertising, marketing</i>	389,863	526,465	+35.0%	
<i>other exp. with third parties' services</i>	1,793,417	1,480,204	-17.5%	
Expenditures of material nature as consumables, inventory objects	135,666	228,543	+68.5%	0.35%
Expenses with other taxes, fees and similar payments	80,113	104,302	+30.2%	0.16%
Personnel expenditures	2,327,041	2,542,601	+9.3%	3.90%
Amortisation expenditures	76,591	108,593	+41.8%	0.17%
Current assets depreciation expenditures	569,039	0	-	
Other operating expenditures	207,386	182,446	-12.0%	-
GROSS OPERATING RESULT	4,659,907	5,407,291	+16.0 %	-
Financial revenues	17,753	28,034	+559.5%	-
Financial expenditures	0	61,780	-	-
FINANCIAL RESULT	17,753	(33,746)	-	-
GROSS RESULT	4,677,660	5,373,545	+14.9%	-
Tax on profit	719,134	733,771	+2.0%	-
NET RESULT	3,958,526	4,639,774	+17.2%	-

The company's revenues generated by the brokerage activity, representing 99.88% of all operating income, increased by 13.7% as compared to the previous year, given the boost in the 2019 intermediated premiums volume of 11.7% (from 355,010.6 thous. lei in 2018, to 396,600.7 thous lei in 2019). The average brokerage commission, computed as the ratio between the intermediate premiums volume and the income from the brokerage activity, increased from 17.5% in 2018, to 17.8% in 2019.

The evolution of the operating expenditures has mirrored the trend of the operating revenues, but at a somewhat slower pace (+13.5%), which has led to a positive operating result of 5,407.3 thous lei, a level 16% higher than the year before. The gross profit margin increased also from 7.5% last year, to 7.67% in 2019.

As other elements of operating expenditures have decreased or increased at a slower rate, the expenditure with commissions allotted to brokerage assistants increased at a pace slightly faster (+2 p.p.) than the revenues growth rate, without bearing on the profit growth rate which, again, exceeded the estimates.

The advertising and marketing costs – the main category in the expenditures with services provided by third parties (26.2%) – have increased by 35% as compared to the previous year, as a display of the management focus on increasing brand and services awareness within the target market and among strategic partners.

Downsizing the expenditure with services provided by third parties (-331.2 thous. lei) as some IT development projects were completed earlier in 2019, and bringing to the null value the expenditures with the depreciation of receivables from various debtors (-569.0 thous. lei) contributed to a positive difference between the growth rates of total operating revenues and total expenditure revenues.

The sponsorship costs related to the educational-social projects in the local community supported by Transilvania Broker increased also by 57.5% in 2019 as compared to 2018.

The financial incomes and expenditures are related to the interests received and paid, that generated a loss of 33.7 thous. lei.

The gross profit of 5,373.5 thous. lei, adjusted by the profit tax of 733.8 thous. lei has led to a positive net result of 4,639.8 thous. lei, by 17.2% higher than the reported profit by the end of 2018.

2.2. FINANCIAL POSITION ANALYSIS

ASSETS				
Financial position indicators (lei)	2018 31 December	2019 31 December	Variation (%) 2019/2018	Share in total assets (%) , 2019
Fixed assets	1,856,787	2,040,516	+9.9%	17.1%
Intangible assets	18,045	8,636	-52.1%	0.07%
Tangible assets	1,816,080	2,019,710	+11.2%	16.9%
Financial assets	22,662	12,170	-46.3%	0.10%
Current assets	8,003,378	9,887,408	+23.5%	82.8%
Inventories	0	0	-	0%
Receivables, of which:	4,111,729	4,554,869	+10.8%	38.2%
brokerage related receivables	836,446	920,990	+10.1%	7.72%
other receivables	3,275,283	3,633,879	+10.9%	30.44%
Cash and bank accounts	3,891,649	5,332,539	+37%	44.7%
Prepayments	11,117	9,103	-18.1%	0.08%
TOTAL ASSETS	9,871,282	11,937,027	+20.9%	100%
DEBTS AND EQUITIES				
Financial position indicators (lei)	2018 31 December	2019 31 December	Variation (%) 2019/2018	Share in total liabilities la 31.12.2019
Current debts	4,078,759	4,905,127	+20.3%	41.1%
Bank loans	200,400	200,400	-	1.7%
Debts related to brokerage activity	3,315,470	4,116,732	+24.2%	34.5%
Other short-term debts	562,887	587,995	+4.5%	4.93%
Non-current debts	1,199,600	999,200	-16.7%	8.37%
Long-term loans	1,199,600	999,200	-16.7%	8.37%
Total debts	5,278,357	5,904,327	+11.9%	49.46%
Social capital	500,000	500,000		4.19%
Reserves, from which:	100,000	100,000		0.84%
Legal reserves	100,000	100,000		0.84%
Reported result	34,399	792,926	+2205.1%	6.64%
Reference result	3,958,526	4,639,774	+17.2%	38.9%
Total equities	4,592,925	6,032,700	+31.3%	50.54%
TOTAL EQUITIES AND DEBTS	9,871,282	11,937,027	+20.9%	100%

The current assets at the end of 2019 year, which make up 82.8% of the total assets, consist of cash and cash equivalents (representing 53.9% of current assets and 44.7% of total assets) and receivables (representing 46.1% of current assets and 38.2 of total assets).

The higher value (+37%), and higher share in total assets, of disposable cash at the end of 2019 year as compared to 2018, was due to the exceptional spending that occurred in 2018 for acquiring real estate properties for the Issuer's new headquarters and, also, to the difference between the dividend spending between the two years, as in 2018, the company allotted dividends for both 2016 and 2017 financial years.

In the Receivable asset category, the value of all receivables incident to the brokerage activity – that is the receivables in relation to the insurers but also the receivables in relation to brokerage assistants – represent 97.41% of all receivables, the remnant value of 117.8thous lei comprising receivables in relation to personnel and state budget. The level 10.8% higher than the previous year of receivables as of 31.12.2019 mirrors the increase in the volume of intermediated premiums.

The value of tangible assets, representing 99% of fixed assets and 16.9% of total assets, increased by 11.2% given the investment in land and buildings improvement (211.7 thous lei), technological equipment, transportation and other office furniture (88.2 thous. lei) that exceeded the value of amortisation in 2019. Given the decrease of nontangible and financial assets value, the total fixed assets value increased by 9.9%.

The Issuer's debts, by 11.9% higher than in 2018, represent 49.5% of the financing sources of the company. Current debts are 83.9% brokerage activity related debt, whose payment term is legally set at 30 days. As in the case of receivables, the variation of current debts is a mere reflection of the intensity of the intermediation activity. The current debt due to various creditors is of only 25.1 thous lei (only 0.5% of total current debt), while current debt relative to personnel and public budget reaches 463.3 thous lei (9.45% of total current debt).

Debts with due date greater than one year consist exclusively of the bank credit contracted for the acquisition of the fixed assets, whose value decreases with the due yearly instalments.

The Issuer's equity, representing 50.5% of the company's liabilities at 31.12.2019, is of a 31.3% higher value than at the end of 2018, given the higher retained earnings in 2019 (792.2 thous lei more than in 2018) but also the net result by 17.2% higher than in 2018.

3. ANALYSIS OF THE ECONOMIC AND FINANCIAL INDICATORS

3.1. Liquidity and solvency indicators

Indicators	Calculation formula	31.12.2018	31.12.2019	Benchmark
Current ratio / Quick ratio	Current assets/Current debts	1.962	2.016	>2
Cash ratio	Cash/Current debts	0.954	1.087	>0.8
Leverage ratio	Total Asset /Total debts	1.870	2.022	>1
Equity to capitalization ratio	Equity /(Long term debt + Equity) *100	79.3%	85.8	>30%

The company's liquidity ratios, with values inside the comfort range and on a sustained positive trend along the last years, reflect the particularities of the insurance intermediation activity, where the due terms for receivables and debts in relation to insurers are regulated by law and internal procedures. The control and monitoring of the cash flows related to the insurance brokerage activity – between the insurers, Transilvania Broker and brokerage assistants – together with a judicious management of the available cash and cash equivalents have led to a high level of financial liquidity, as the current assets value doubles the value of the debts to be paid within one year.

As of 31.12.2019, the cash equivalents of 5,332.5 thous. lei were covering the current debts by 108.7%, which is another token of the company's financial stability.

Regarding the company solvency, given the relative and absolute increase in the company's equities as compared to its debt, the solvency indicators kept their level significantly higher than the comfort threshold and still higher the previous year level, reflecting important capacity of self-financing and debt payment.

3.2. Indebtness indicators

Risk indicators	Calculation formula	31.12.2018	31.12.2019	Benchmark
Long-term debt to capitalization ratio	Borrowed capital/ Long-term capital *100	20.7%	14.21%	<50%
Debt to equity ratio	Total debt / Total assets*100	53.5%	49.5%	<80%

Decreasing borrowed long-term debt and increasing equity led to a favourable evolution of the risk indicators, which are significantly lower than the alert threshold and on a downward trend. This suggests a high level of capacity for debt payment and sound credit risk management. Moreover, it reflects easy access to funding on the monetary markets.

3.3. Margin and performance indicators

Indicators	Calculation formula	2018	2019
		31 December	31 December
Operating profit margin	Operating profit / Sales *100	7.50%	7.67%
Net profit margin	Net profit / Sales *100	6.37%	6.58%
Return to equity ratio	Net profit / Equity *100	86.19%	76.91%
Return to long-term capital ratio	Net profit / Long-term capital *100	68.34%	65.98%

The higher growth pace of the revenues as compared to expenditures allowed for the slight increase of the profit margins. At the same time, the increase in equity value by 1,439.8 thous lei (+31.3%) in 2019 as against the previous year, higher than the increase in the net profits, led to lower return to equity, and return to long-term capital, ratios. Nevertheless, these indicators' values are favourable in the context of the Issuer's specific activity.

THE PRESENT REPORT HAS BEEN DRAWN UP BASED ON THE PRELIMINARY FINANCIAL STATEMENTS TO BE AUDITED.

Transilvania Broker de Asigurare S.A.

General manager,

Niculae Dan

[signature]

L.S

Bistrița,
25.02.2020

Balance sheet Transilvania Broker de Asigurare S.A.

As of December 31, 2019 (lei)

	January 1, 2019	December 31 2019
Fixed assets, total of which	1,856,787	2,040,516
Intangible assets	18,045	8,636
Tangible assets	1,816,080	2,019,710
Financial assets	22,662	12,170
Current assets, total of which	8,003,378	9,887,408
Stocks	0	0
Receivables related to brokerage activity and other receivables	4,111,729	4,554,869
Cash and bank accounts	3,891,649	5,332,539
Prepayments	11,117	9,103
TOTAL ASSETS	9,871,282	11,937,027
Current debts, total of which	4,078,757	4,905,127
Debts related to brokerage activity	3,315,470	4,116,732
Amounts due to credit institutions	200,400	200,400
Trade and other debt	562,887	587,995
Net current assets / Net current liabilities	3,935,738	4,991,384
Total assets minus current debts	5,792,525	7,031,900
Non - current debts, total of which	1,199,600	999,200
TOTAL DEBTS	5,278,357	5,904,327
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	4,639,774
TOTAL EQUITIES	4,592,925	6,032,700
TOTAL DEBTS AND EQUITIES	9,871,282	11,937,027

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

As of December 31, 2019 (lei)

	December 31, 2018	December 31, 2019
Operating income	62,144,821	70,625,675
Income from brokerage activity	62,064,257	70,515,427
Income from other activities in relation to the object of activity	57,640	28,777
Other operating income	22,924	81,471-
Operating Expenses	57,484,914	65,218,384
Expenditure on fees due to brokerage assistants	51,905,798	60,045,230
Expenditure on services rendered by third parties	2,183,280	2,006,669
Expenditure on consumables and materials as inventory items	135,666	228,543
Expenses with other taxes, duties and similar charges	80,113	104,302
Personnel costs	2,327,041	2,542,601
Other operating expenses	853,016	291,039
<i>Operating profit and loss</i>	4,659,907	5,407,291
Financial income	17,753	28,034
Financial expenses	0	61,780
<i>Profit or financial loss</i>	17,753	(33,746)
<i>Gross profit or loss</i>	4,677,660	5,373,545
Profit tax expense	719,134	733,771
<i>Net profit or loss for the financial year</i>	3,958,526	4,639,774

GENERAL MANAGER

Mr. Niculae Dan

HEAD OF ACCOUNTING SERVICE,

Mrs. Pârțiu-Vasilichi Oana