

Report for the 1st semester of 2019

In compliance to the Law no. 24/ 2017 and to the Regulation no. 5/ 2018

Date of the report: 08.08.2019

S.C. PRACTIC S.A.

Headquarters: Bucharest, 21-23, Biserica Amzei Str, 1st district

Phone/ fax number: 021/315.09.55 / 316.78.15

Registration number and date at the Trade Register Office: J40/ 611/1991

Unique registration code at the Trade Register Office and tax registered: RO 2774512

Main characteristics of the issued securities:

- 593.959 of registered and uncertificated shares, having the nominal value of 69 Ron/ share, having the PRBU symbol

Organized market where the securities are being traded: ATS/ AeRO

I. Important events of the company's activity that took place during the 1st semester of the year 2019 and that are being expected for the 2nd semester of the year 2019

1. Important events that took place in the 1st semester of the 2019

Due to the periodic assessment of Bucharest Stock Exchange concerning the liquidity of the company's shares on the capital market, starting the 12th of July 2019, the company Practic S.A. has been transferred from the continuous trading method to the auction one.

During the first part of the 2019 financial year, the 2018 profit and a part of retained profit has been distributed. The net profit of 2018 was obtained from the rental activities (87%).

2. Risks and uncertainties for the company's activity during the 2nd semester of the year 2019

The main risks are the due to:

The exchange rate risk

-the exchange rate risk that is associated to the denomination of the lease agreements in a foreign currency is being outweighed by the fact that the company's main payment liabilities (especially towards the financiers) are also denominated in the same currency;

The price risk:

- In order to cover this risk, a new stipulation has been included in the lease agreements, compliant to which the monthly value of the rent is being regularly adjusted with the Euro inflation published by the European Commission for Statistics-EUROSTAT, while the exchange rate for the invoicing of the monthly rent is mostly the BNR exchange rate + 1% and BNR exchange rate + 2 %.

The credit risk

- The indicator of the level of indebtedness proves that the loan capital represents approximately 8 % of the company's equities on 30.06.2019 compared to 9 % on 30.06.2018. The indicator for covering the interest is being around a value of 29 times the profit before the payment of the interest on 30.06.2019, compared to 25 times on 30.06.2018.

The liquidity risk

- During the first semester of the year 2019, the rotation period of the debts-clients has been of 11 days, compared with 9 days to the previous period. The rotation speed of the credits-supplier in the year 2019 has been of 1 day, as well compared to the same calculated during the previous period. The net cash which has been generated by the exploitation activity has been to the same level between the two analyzed semesters. The cash outflow have been mainly used to repay the contracted investments credit, the payment of the dividends, obtaining the authorizations from the Inspectorate for Emergency Situations, repairing some buildings of the company's assets, the payment of the obligations to the state budget, , the local budget and the social insurance.

The main uncertainties concern due to:

- The level of the inflation on the local economy basis, which will directly have an impact on the final buyers' purchasing power;

- The increase of the interests on the on-going loans and the tightening of the bank crediting conditions;
- The ability of the competition to provide new renting spaces of high standards that may not only lead to the relocation of some segments of the company's current tenants, but also to the relocation of some of the people already living in the neighborhoods where the commercial spaces are being located;
- The possibility of starting high-profile real estate investments that can be self-financed or using attracted financing.

3. Transactions with the related parties

- a) During the 1st semester of the year 2019, there have been General Assemblies of the Shareholders to which the Practic Company owns shares, namely Piata Obor Market and Complex Comercial S.A. and Aviatia Utilitara Bucuresti S.A.. Only the shareholders of Piata Obor Market and Complex Comercial S.A. have approved the distribution of a part of the 2018' net profit. Until 30.06.2019, the distributed amounts have been received.
- b) Compared to the data provided in the annual report and drafted on 31.12.2018 and the information obtained at 30.06.2019, there is expected an insignificant change in what concerns the ownership percentage in the share capital of the Aviatia Utilitara Bucuresti S.A. (AVUT) as a results of cancellation of the shares bought by the company from the minority shareholders who withdrew at the time of acquiring the company on closed-type shares:

(lei)

Name of the entity	Type of relation	Accounting account	31.12.2018	30.06.2019	31.12.2019
PIATA OBOR MARKET & Complex Comercial S.A.	shareholdings - 97,97 % of the share capital	261	43.869.000	43.869.000	43.869.000
AVIATIA UTILITARA BUCURESTI S.A.	shareholdings- 49,9134 % of the share capital, estimated for the next period: 49,9197%	261	4.681.127	4.681.127	4.681.127

II. The economic and financial situation

a) Balance sheet

Name of the element	Balance on 30.06.2019 (lei)	Balance on 30.06.2018 (lei)
Fixed assets, out of which:	414.241.398	418.848.777
Real Estate Investments (Land and buildings)	364.361.373	368.926.325
Financial investments	48.640.808	48.638.834
Current assets	8.205.394	11.216.362
Shareholding/ financial interests in related parties (the dividend to be collected)		1.683.251
Trade receivables	859.724	556.087
Prepaid expenses	105.782	112.431
Short term debts, out of which:	11.206.568	9.952.320
Bank credit and interest to be paid in less than one year	4.807.640	4.734.963
Dividends to be paid to the shareholders	2.758.526	2.958.877
Obligations towards the employees, the state budget and the social insurance	2.910.523	1.487.732
Long term debts, out of which:	26.863.173	31.002.989
Bank credit to be paid in more than one year	24.987.728	29.314.460
Provisions	981.494	1.000.666
Prepaid income	2.658.425	2.461.408
Subscribed and paid share capital	40.983.171	40.983.171
Revaluation reserves	291.251.441	295.641.477
Reserves	8.693.791	8.560.224
Retained profit	25.820.589	26.735.987
Profit for the period	14.091.519	13.838.125
Total equity	380.840.511	385.758.984

- The constructions and the pieces of land have a proportion of 99,49 % of the total tangible assets of the company on 30.06.2019, while they register a value which is relatively equal to the one that has been registered during the similar period of the previous year, the variation resulting prevalingly from the depreciation of the constructions;
- The financial investments have a mainly equal value on 30.06.2019 compared to the one that has been registered on 30.06.2018;
- The receivables that haven't been recovered from the clients have increased during the same analyzed period, mainly during the decrease of the payment capacity of some clients' contractual liabilities from the pharmaceutical and the TV services sectors, as well as from related sectors;
- The company's total debts, indicated in the 'situation of the assets, the debts and the equities' form has dropped with 7,05 % (38.069.741 lei on 30.06.2019 compared to 40.955.309 lei on 30.06.2018), mainly due to the reimbursement of the monthly installments of the bank loan, which represents 78,27 % of the company's total debts;
- The debts towards the employees and the unique state budget have registered between the two analyzed periods an increase of 43 %, mainly due to the dividend tax, who has to be paid at 25.07.2019;
- -the value of the dividends that have been shared to the shareholders, but still not-collected by some of the minority shareholders, has slowly decreased between 30.06.2019 and 30.06.2018;
- The decrease of the equities at the value of 380.840.511 on 30.06.2019 compared to the value of 385.758.984 on 30.06.2018 has been caused by 2018' net profit and a part of the retained profit was distributed to the shareholders in June 2019.

b) The profit and loss account

Name of the element	1st Semester of 2019 (lei)	1st Semester of 2018 (lei)
Total operational revenues	18.942.727	17.735.844
Total operational expenses	5.533.443	5.934.893
Operational profit	13.409.284	11.800.951
Total financial revenues	4.231.603	4.909.903
Total financial expenses	1.274.928	827.999
Financial profit	2.956.675	4.081.904
Gross profit	16.365.959	15.882.855
Income tax	2.274.440	2.044.730
Net profit	14.091.519	13.838.125

-within the total operating income, the majority weight is being held by the incomes that have been obtained from the renting activity. The turnover (which is equivalent to the incomes coming from rents, as far as the Practic company is concerned) registered on 30.06.2019 has slightly increased compared to 30.06.2018 with 3,65%, respectively with the amount of 642.024 lei, due to the renegotiation of some lease agreements at higher charges than the previous period, as well as to the conclusion of new ones;

-the expenses having the highest weight within the total turnover are represented by the depreciation (13,18%), followed by the staff ones (9,59%) and the ones for the services provided by third parties (5,34%); the values having mainly the same value during the two analyzed periods;

-the operating profit registered during January-June 2019 is bigger with 13,63% compared to the one registered during January-June 2018. The main causes: the increase of turnover and income from prescribed dividends, according to the Practic's shareholders decision (of April 2019);

-the financial profit registered on 30.06.2019, having a value of 2.956.675 lei has dropped compared to the one registered on 30.06.2018 with 27,57 %, respectively with the amount of 1.125.229 lei. The drop is being mainly triggered by the decrease of coming from participation interest, due to the distribution of the dividends towards the companies to which Practic S.A. owns equity interests in the current year compared to the previous one and the increase of expenses with the exchange rates difference.

The gross profit on 30.06.2019 has had a value of 16.365.959 lei, an increase with 3% compared to the similar period of the year 2018.

Declared and paid dividends

The payment of the profit – current and retained - for the 2018 financial year to the shareholders has started in June 2019 as dividends, compliant to the Decision of the General Assembly of the Shareholders of April 2019.

From the profit for the years 2013-2018, distributed as dividends, the amount that some of the minority shareholders haven't claimed it yet until 30.06.2019 is of 2.758.526 lei.

c) **The Cash flow:**

Name of the element	1 st semester of 2019 (lei)	1 st semester of 2018 (lei)	Differential (absolute value)	Differential (relative value)
Balance on 01.01	19.339.718	25.501.843	-6.162.125	-24,16%
Cash flow from the operational activity	11.904.226	12.027.182	-122.956	-1,02%
Cash flow from the investments activity	3.806.146	2.375.642	1.430.504	60,22%
Cash flow from the financial activity	-27.984.542	-31.406.182	3.421.640	-10,89%
Balance on 30.06	7.065.548	8.498.485	-1.432.937	-16,86%

The modification of the volume for the cash flow from the operating activity during the 1st semester of 2019 compared to the same period of the previous year is due on one hand to the increase of the degree of collecting the rents and on the other hand to the decrease of the value for the payments towards to suppliers, employees, state budget and financing costs.

The significant modification of the volume for the cash flows from the investments activity during the 1st semester of 2019 compared to the same period of the previous year is due to the decrease of acquisitions of fixed assets and of the benefit interests from Piata Obor Market and Complex Comercial S.A. and Aviatia Utilitara Bucuresti S.A..

The modification of the volume for the cash flows from the financing activity during the 1st semester of 2019 compared to the same period of the previous year is due to the value of the dividends distributed to the shareholders during 2019 and 2018, directly correlated to the value of the profits registered in the years 2018 and 2017.

d) **Performance indicators**

Name of the indicator	Calculation formula	Value on 30.06.2019	Value on 30.06.2018
Current ratio	Current assets/current debts	0.73 times	1.15 times
General gearing ratio	% Total loans in total equity	7.82%	8.83%
General solvability ratio	Total assets/total liabilities	10.13 times	9.99 times
Days Sales Outstanding	Total clients * no of days in period / period turnover	10.95 days	9.29 days
Fixed Assets Rotation Rate	Period turnover/ fixed assets	0.04 times	0.04 times
Global financial autonomy ratio	% Total share capital in total liabilities	90 %	90 %
Net profit ratio	% Net profit/ turnover	77.17%	78.66%

2. Analysis of the commercial company's activity

2.1. Presentation and analysis of the tendencies, of the uncertainty risks which might have an impact on the company's liquidity compared to the 1st semester of the year 2018

During the analyzed period , the company has preserved its current patrimony that has been operated in order to achieve its main object of activity, respectively the rental.

The client portfolio continues to represent various economic activities, thus the company cannot be significantly affected by the termination of the contractual relationships with various commercial partners or by the dynamics within one of their specific business area.

The company's total debts towards the shareholders, the banking institutions, the state budget, the social insurance, the local budgets, its employees and third parties are roughly 7 % lower between the two analyzed periods.

No other risk concerning the type of the deployed economic activity has been identified, nor the enforcement of the legislation specific to the business area and the economic/ fiscal one, excepting the ones mentioned at point 1.2.

For the next period, no further amendment to the business profile is being intended. The company is planning to start several real estate development projects.

2.2. *The presentation and the analysis of the effects on the company's financial situation of all the company's expenses- capital, current and accrued-compared to the 1st semester of the year 2018.*

Name of the element	Period 01.01-30.06.2019 (lei)	Period 01.01-30.06.2018 (lei)	Differential (absolute value)	Differential (relative value)
<i>Total operational expenses, out of which:</i>	5.533.443	5.934.893	-401.450	-6,76%
Raw material, energy and water expenses	115.222	136.633	-21.411	-15,67%
Personal expenses	1.748.536	1.713.182	35.354	2,06%
Amortisations and depreciation expenses	2.401.965	2.390.291	11.674	0,49%
Third partes services	974.072	972.346	1.726	0,18%
Expenses with other taxes, including the local taxes	769.118	765.963	3.155	0,41%
Other operational expenses	-69.376	-476.780	407.404	-85,45%
<i>Total financial expenses, out of which:</i>	1.786	12.867	-11.081	-86,12%
Interests expenses	1.274.928	827.999	446.929	53,98%
Other financial expenses, including the differential of the exchange rate	588.542	665.413	-76.871	-11,55%
Adjustments value for the financial fixed assets	686.486	162.586	523.900	322,23%
Total expenses	6.808.371	6.762.892	45.479	0,67%

Given the company's activity profile, the types of expenses for the deployment of the registered renting activity are being relatively steady over time. The values that significantly vary are being generated by:

-the increase of the expenses with the exchange rate difference;

-the adjustment of provision for employees benefit included in 2018' balance sheet.

2.2. *The presentation and the analysis of the tendencies, of the economic changes that have a significant impact on the basic incomes of the commercial company for the 1st semester of the year 2018:*

Name of the element	Period 01.01-30.06.2019 (lei)	Period 01.01-30.06.2018 (lei)	Differential (absolute value)	Differential (relative value)
<i>Total operational revenues, out of which:</i>	18.942.727	17.735.844	1.206.883	6,80%
Rents revenues:	18.117.558	17.493.242	624.316	3,57%
Other operational revenues	708.142	143.283	564.859	394,23%
<i>Total financial revenues, out of which:</i>	4.231.603	4.909.903	-678.300	-13,81%
Revenues from participating interests in related parties	3.917.544	4.703.856	-786.312	-16,72%
Interests revenues	115.172	57.810	57.362	99,23%
Other financial revenues, including the exchange rate differential	198.887	148.237	50.650	34,17%
Total revenues	23.174.330	22.645.747	528.583	2,33%

The revenues of the rental activity has registered a slight increase between the two analyzed periods.

At the section ‘‘Other operational revenues’’, there has been mainly registered the revenues resulting from the penalties applied to the tenants who don’t comply certain commercial terms, and prescribed dividends.

The revenues resulting from participating interests in related parties are dividends distributed by the companies Piata Obor, Market & Complex Comercial S.A. . in compliance to his decision taken within the General Assemblies of the Shareholders during the first part of this year, with 16,72% lower than the previous year.

At the section ‘‘Other financial revenues’’, the significant variation has appeared due to the exchange rate difference.

3.Changes that have an impact on the capital and on the management of the company

3.1. The company has fully and to term complied with its payment obligations towards the state budget, the social insurance, local budgets, banking institutions, shareholders, service and utility providers.

Taking into account the results related to the 1st semesters of the year 2019 and 2018, it can be noticed that the company’s exposure to the price, credit, liquidity risks is relatively reduced, while the indicators that have been mentioned above have even registered a slight improvement.

Between the two analyzed periods, there haven’t been changes in what concerns the directors of the company.

Compliant to the legal provisions in force and to the corporate governance principles, during the 1st semester of 2019, the Management Board has gathered in 5 meetings, when the 25 decisions concerning the current activity of the company have been considered and adopted.

3.2. No modification concerning the rights of the company’s shareholders during the analyzed period has appeared.

All owners of securities issued by the company have benefited from the same rights.

The weight of the significant shareholders in the total of the share capital hasn’t been modified during the analyzed period.

The shareholders' synthetic structure on 30.06.2019 is the following:

Name of the owner	Number of holdings	Percentage (%)
Dimofte Radu	287.902	48,4717
I.B.T.C. located in TURK & CAICOS ISLANDS TCA	190.976	32,1531
WELLKEPT GROUP S.A. located in Bucharest 1 st district	71.449	12,0293
Physical entities	39.459	6,6434
Legal entities	4.173	0,7026
Total	593.959	100

4. Significant transactions

During the analyzed period, there haven't been any significant transactions with the company's shares.

The accounting reporting drafted on 30.06.2019 hasn't been audited.

Appendix:

-the decision of the Management Board of 18.07.2018 concerning the extension of the term as president of the Management Board of the Practic S.A. Company of Mr. Mihai Ene until the end of his term as director appointed by the General Assembly of the Shareholders, respectively until 01.01.2021.

PRESIDENT OF THE MANAGEMENT BOARD- GENERAL MANAGER

ENE MIHAI

FINANCIAL MANAGER

IONITA CRISTINA

