

The company REGAL SA - REGL

Financial results at 31.12.2019

The annual report according to Annex 32 of the ASF Regulation no.5 / 2018, ART.126, ANNEX 15

For the financial year 01.01.2019-31.12.2019

Date of report:

Company name: REGAL S.A.

Registered office: Galati, str. Brailei no.17 Potcoava de Aur Complex

Phone / fax number: 0236/411801, 0236/414746.

C.U.I. : RO 1647588

Nr. of order at the Trade Register Office Galati: J17 / 52/1991

The main areas of activity are: Restaurants, renting real estate, Buying and selling real estate, Other financial intermediation.

The company is listed on the Multilateral Trading System administered by BVB, within the Financial Instruments Section Listed on SMT, Capital Securities Sector, Shares - AeRo category, according to BVB Decision no. 676 / 17.06.2015, with the beginning of the continuous trading operations from 19.06.2015. Previously, REGL shares were traded on BVB RASDAQ.

SOCIAL CAPITAL AND THE STRUCTURE OF THE SHAREHOLDER

The company "Regal" S.A. Galati has a subscribed and paid up share capital of RON 120,000, consisting of a number of 1,200,000 shares at the price of 0.10 lei / share.

According to the situation transmitted by Depozitarul Central S.A. on 31.12.2019 the shareholding structure was according to the table below:

| Shareholder name | Share capital | Nr. actions | % |
|---------------------------|---------------|-------------|---------|
| SIF Moldova | 111,626 | 1,116,258 | 93.0215 |
| Shareholders individuals | 5.373 | 53.734 | 4.4778 |
| AVAS | 2.904 | 29.035 | 2.4196 |
| Legal entity shareholders | 97 | 973 | 0.0811 |
| TOTAL | 120,000 | 1,200,000 | 100 |

ANALYSIS OF THE ACTIVITY OF THE COMMERCIAL COMPANY

The society. REGAL S.A. Galati was established by the Decision of the Prefecture of Galati County no.171 / 15.10.1990.

The company .REGAL S.A. Galati has as main activities:

- public food code CAEN 5610;
- renting of own real estate and leasing code CAEN 6820.

During the financial year there were no mergers or reorganizations of the company.

During the financial year the following assets were sold: Restaurant Olt 3 and Restaurant Locomotiva, Land a4-A6.

1.1.1.Elements of general evaluation

The economic and financial results at 31.12.2019, compared to the years 2018 and 2017, are presented in the table below:

| Nr. crt. | Indicators | Accomplished 2017 | Accomplished 2018 | 31.12.2019 | | Gr. realiz. % |
|----------|--|-------------------|-------------------|------------|--------------|---------------|
| | | | | BVC | Accomplished | |
| 1 | Fiscal value | 946080 | 677360 | 439000 | 436356 | 99.40 |
| 2 | Operating income - total | 3650707 | 5629554 | 1383586 | 2568208 | 185.62 |
| 3 | Operating expenses - total, of which | 1661074 | 1954842 | 1209361 | 2467794 | 204.06 |
| a) | Spend. Printed matter and material - total | 65573 | 13521 | 25000 | 13041 | 52.17 |
| b) | External expenditure (energy, water) | 23643 | 15038 | 14000 | 18684 | 133.46 |
| c) | Staff costs | 509633 | 553784 | 596646 | 502949 | 84.30 |
| d) | Adjustments for intangible and tangible assets | 161836 | 125486 | 129000 | 250015 | 193.81 |
| e) | Other operating expenses, of which: | 900389 | 1247013 | 458715 | 1683105 | 366.92 |
| | - expenses related to external services | 168457 | 161964 | 100715 | 134522 | 133.57 |
| | - expenses other taxes and fees | 123055 | 76302 | 63000 | 55592 | 88.25 |
| | - other expenses | 608877 | 1008747 | 295000 | 1492991 | 506.10 |
| 4 | Operating profit / loss | 1989633 | 3674439 | 174225 | 100414 | 57.63 |
| 5 | Financial income - total | 26972 | 26337 | 34000 | 71888 | 211.44 |
| 6 | Financial expenses - total | - | 9889 | 7000 | 113 | 1.62 |
| 7 | Financial profit / loss | 26972 | 16448 | 27000 | 71775 | 265.84 |
| 8 | Total income | 3677679 | 5655891 | 1417586 | 2640096 | 186.24 |
| 9 | Total expenses | 1661074 | 1964731 | 1216361 | 2467907 | 202.89 |
| 10 | Gross profit / loss | 2016605 | 3691160 | 201225 | 172189 | 85.57 |
| 11 | Profit tax | 372731 | 579927 | 32200 | 245521 | 762.49 |
| 12 | Specific tax | 16395 | - | - | - | - |
| 13 | Net profit / loss (a) reporting period | 1627479 | 3111233 | 169025 | -73332 | - |

a) Profit

The company registered a loss on the amount of 73,332 lei as of 31.12.2019 compared to a net profit in the amount of 169,025 lei foreseen in the BVC. By activities the profit situation is presented as follows:

- 1) From the basic activity against a profit of 189,625 lei provided in the BVC, a profit of 189,147 lei was realized, with 478 lei less than the budget provision.
2. At the activity of active sales the profit realized is 393,430 lei with 97,170 lei less than the profit approved by bvc of 490,600 lei.
3. At the chapter other activities the company made a profit of 64,669 lei compared to a budgetary provision of 20,000 lei.
3. The company also registered on 31.12.2019 a financial profit in the amount of 71,774 lei, with 44,774 lei greater than the budgetary provision.

b) Turnover

The evolution of turnover over the last three years at S.C. Regal S.A. Galati is according to the table below:

| Indicators | Real. 2017 | Real. 2018 | BVC2019 | Real.2019 | R2019/ BVC2019 | R2019/ R2018 | R2019/ R2017 |
|--------------------------------|-------------------|-------------------|----------------|------------------|---------------------------|-------------------------|-------------------------|
| Fiscal value | 946080 | 677360 | 439000 | 436356 | 99,40 | 64,42 | 46,13 |
| Revenue from merchandise sales | 123010 | - | - | - | - | - | - |
| Rent income | 823070 | 677360 | 439000 | 436356 | 99,40 | 64,42 | 53,02 |
| Other income. | - | - | - | - | - | - | - |

The weight of the revenues in the structure of the turnover for the last three years is according to the situation presented in the table below:

| Indicators | Realizat 2017 | Realizat 2018 | Realizat 2018 |
|-------------------------|----------------------|----------------------|----------------------|
| Fiscal value | 100.00% | 100.00% | 100.00% |
| Revenue. Sales of goods | 13,00% | - | - |
| Rent income | 87,00% | 100,00% | 100,00% |
| Other activities income | - | - | - |

c) Export: the company has no export activity.

Export costs: this is not the case.

Market share held: S.C. Regal S.A. is active in the city of Galati

d) Liquidity:

Analyzing this indicator on 31.12.2019 the following are observed:

- the current liquidity is 6.86 <the current liquidity of 7.08 in 2018.
- the immediate liquidity is 6.86 <the immediate liquidity of 7.07 in 2018.

The value of both indicators is lower in 2019 compared to 2018, which shows that the company can cover its current liabilities from current assets (the recommended acceptable value being around 2).

The availabilities in the house and in the accounts at the banks are at 31.12.2019 in the amount of 3,860.707 lei with 1,526.685 lei smaller compared to 31.12.2018 as a result of the payment of dividends.

1.1.2. Evaluation of the technical level of the company

The company Regal SA owns a number of 6 commercial spaces + the administrative headquarters, having a built area of 2,336.20 square meters, a land related to a former agri-food market in the French district with an area of 5311 square meters.

The commercial spaces owned by the company generally have modest finishes and require investments for maintenance and sanitation.

In accordance with the Activity Program for 2019 approved by the shareholders, the Board of Directors of the company has based a strategy that will ensure the sustainable development of the Royal company as follows:

1. Renting spaces with potential for obtaining income and profits,
2. Sale of spaces without potential for rent or with high maintenance costs.
3. Investment proposal for the remaining spaces in the company.
4. Follow-up of the rent receipts at the terms established by the contract and the calculation of the delay increases for the amounts received late.
5. Termination of contracts and taking over the premises for the badly paying tenants.

1.1.3. Evaluation of the technical supply activity - materials

Regal S.A. Company Galati is supplied with materials from the main suppliers in Galati. No supernormative stocks were created because only the strictly necessary for the proper development of the activity is supplied.

1.1.4. Evaluation of the sale activity

Table with the sale of assets

| Asset category sold | Inventory value (lei) | Unamortized value (lei) | Sale income (lei) | Gross profit (lei) |
|----------------------|-----------------------|-------------------------|-------------------|--------------------|
| Rest. Olt 3 | 855.508 | 821.712 | 1.296.000 | 474.288 |
| Rest. Locomotiva | 669.495 | 626.613 | 720.000 | 93.387 |
| Teren A4-A6* | 44.300 | 44.300 | 72.000 | 27.700 |
| Total vanzari active | 1.569.303 | 1.492.625 | 2.088.000 | 595.375 |

* We must mention that the auction for the sale of the A4-A6 land was held on 20.12.2019, an advance was collected in the amount of 7,181 lei, and the sale-purchase contract was concluded in January 2020, the value difference awarded in the amount of 64,819 lei was collected on 13.01.2020.

1.1.5. Evaluation of the personnel of the trading company

Societate Regal S.A. Galati on 31.12.2019 has a number of 4 persons employed with an employment contract for an indefinite period with fractions of the norm (7 hours). During the year 2019, four positions were dismissed by the approval of a new organization chart. 6 employees were granted compensatory wages according to the collective labor contract.

The synthetic situation of the staff at 31.12.2019 is presented as follows:

1. Executive management = 1 person;
2. TESA staff = 2 persons;
3. Auxiliary = 1 person.

The relations between the management and the employees were normal, not registering conflicts.

The workforce within the company is not unionized.

1.1.6. Assessment of environmental issues

The company REGAL S.A. Galati through the basic activity has no impact on the environment and there are no litigations regarding the violation of the legislation regarding the protection of the environment.

1.1.7 Evaluation of the development research activity.

It's not necessary

1.1.8. Evaluation of the activity of the trading company regarding the risk management

The main risks to which the company's activity is exposed are:

The Royal liquidity policy is to maintain sufficient resources to meet its obligations by the due date.

The company follows daily and in the short term the evolution of the liquidity level, the liquidity coefficient is greater than 1.

We consider that the Company's availability is sufficient to ensure the liquidity necessary to continue the activity in case of negative impact on the cash flows caused by the CoVid-19 pandemic.

Financing risk

The financing of the Regal activity is sufficiently assured through its own sources of liquidity.

The company owns sufficient assets to guarantee liquidity and is protected against the potential risk caused by reducing the value of the assets.

Price risk is influenced by company costs.

In order to mitigate the effects of this risk category, periodically all the cost categories were analyzed, in order to know the deviations and to take measures to comply with the planned levels.

Risk is an anonymous variable in the profitability of the economic activity. In the financial management of the company, the risk is structured in two groups of indicators:

A - Variability of profit

B - The ability of the company to meet the commitments made.

The ability of the company to cope with the commitments made to third parties (bankruptcy risk) can be appreciated by:

1. Static analysis of the financial balances in the balance sheet:

a) liquidity - it offers the guarantee of covering current debts from current assets.

The liquidity indicators for 2019 are 6.86 (current liquidity) and 6.86 (immediate liquidity).

b) the indebtedness degree of the company is zero, having no contracted credits.

2. Dynamic analysis of cash flows:

a) The speed of entry or exit of the cash flows shows the ability of the company to control the working capital and the basic commercial activities of the company.

The stock turnover rate in 2019 is 0. days.

b) The turnover rate of the debtors-clients calculates the efficiency of the company in collecting the debts, and in 2019 it is 67.65 days.

c) The turnover rate of the creditors-providers estimates the credit obtained from the suppliers and in 2019 it is 11.60. days.

1. Current liquidity indicator - 6.86

2. Immediate liquidity indicator 6.86

3. Indebtedness indicator - 5.42

4. Stock turnover rate 0.00

5. Debt rotation speed - customers 67.65

6. Rotation speed of loans 11.60

7. Rotation speed of fixed assets 0.06

8. Rotation speed of total assets 0.04

9. Gross margin on sales 0.39

As of 31.12.2019, the company had deposits amounting to 3,705,132 lei.

1.9. Perspective elements regarding the company's activity

Analyzing trends, elements, events and factors of uncertainty and risk

which could affect the liquidity of the company we find that there are no signs of concern.

Periodically, events, transactions and possible economic changes will be analyzed that could significantly affect the revenues from the basic activity to eliminate any malfunctions.

The financial statements present in the note of Subsequent Events the Company's analysis of the effect of the CoVid-19 pandemic on the Company's economic activity, performance and financial position for a period of at least 12 months as of 31.12.2019.

2. Tangible assets (constructions) belonging to the company on 31.12.2019:

| Nr. Crt. | Commercial space | Water debts | Thermal debts | Electricity Debts | Degree of wear (%) |
|---------------------|-------------------------|--------------------|----------------------|--------------------------|---------------------------|
| 1 | Sediul Potcoava | - | - | - | 45,40 |
| 2 | Terasa Intim | - | - | - | 10,00 |
| 3 | Terasa Tineretului | - | - | - | 40,00 |
| 4 | Bacanie Olt III | - | - | - | 83,88 |
| 5 | Sifonarie Olt 3 | - | - | - | 83,88 |
| 6 | Rest. Elite | - | - | - | 45,40 |
| 7 | Bar L2 | - | - | - | 79,73 |

Orient restaurant is 100% used and is proposed for demolition

At 31.12.2019 the company had property titles for all the lands.

In the balance sheet of 2019, the results of the revaluation of buildings and land are included, at fair value. The additional influence on buildings is of 466,600 lei and on lands is of 895,000 lei a total influence of 1,361,600 lei.

3. Market of securities issued by the company

3.1 The company is listed on the Alternative Trading System administered by BVB, within the Financial Instruments Section Listed on SMT, Capital Securities Sector, Shares Category - AeRo, according to BVB decision no. 676 / 17.06.2015 with the beginning of the continuous trading operations from 19.06.2015. Previously, REGL shares were traded on BVB RASDAQ.

3.2 The dividend policy will permanently reflect the context of the economic environment and will consider a target yield in line with the market evolution. We aim to increase the investment effort, as the source of future returns and we propose a balanced relationship between the dividend policy and the resource assurance policy for investment programs.

SC REGAL SA manages the process of dividend distribution, with the legal deadlines and by establishing payment methods that will ensure a higher degree of payment; in this sense we specify that:

(1) every year, SC REGAL SA announces to the shareholders, repeatedly (by means of Communiqués, through materials of the General Shareholders' Meeting), regarding the payment terms of the dividends; the payment action is carried out during the entire financial year;

(2) through the payment methods used, we constantly try to ensure a high percentage of payment and obtain the lowest costs for shareholders for distribution.

(3) The term for starting the payment of dividends shall respect the legal term, of maximum 60 days from the publication of the OGMS decisions.

Each year, the dividends for the financial year ended with the non-distribution dividends from the preceding 2 financial years are distributed. At the end of 3 years, in accordance with the legislative provisions regarding the extinctive prescription, the board of directors annually informs the shareholders the fulfillment of the limitation period of the right to request the payment of the due and unpaid dividends for 3 years and proposes in each general meeting of the balance sheet, their registration to "other income".

The dividend policy ensures the possibility for each shareholder to adopt an investment decision regarding the classification of SC REGAL SA shares in the portfolio of short / medium / long term holdings.

Informing shareholders about the level of dividend tax:

The tax on dividend for the different categories of shareholders is 5%, except for the shareholders with fiscal residence in countries with which Romania has signed agreements to avoid double taxation. From the corroboration of the provisions of the Fiscal Code with those of the conventions for avoiding double taxation and of the European Union legislation, the following are highlighted:

- "If a taxpayer is a resident of a country with which Romania has concluded a convention to avoid double taxation, the tax rate that applies to the taxable income obtained by that taxpayer in Romania cannot exceed the tax rate provided in the convention that applies to the that income. If there are different rates of taxation in the national legislation or in the conventions to avoid double taxation, the most favorable tax rates are applied. "

- The legislation of the European Union applies in the relation of Romania with the member states of the European Union or of the European Free Trade Association.

The following taxes are exempt from the income tax from Romania:

a) the incomes of foreign legal entities that carry out consultancy activities in Romania within the framework of free financing agreements, concluded by the Government of Romania / public authorities with other governments / public authorities or international governmental or non-governmental organizations;

b) dividends paid to pension funds, as defined in the legislation of the Member State of the European Union or in one of the states of the European Free Trade Association.

Gross dividends recorded during the last three years.

| Nr.crt. | Actionari | 2017 | 2018 | 2019 |
|----------------|-------------------------|-------------|-------------|---------------|
| 1 | SIF MOLDOVA | 2.125.079 | 2.656.694 | Dupa aprobare |
| 2 | AVAS | 55.275 | 69.103 | Dupa aprobare |
| 3 | Actionari pers.fizice | 102.961 | 127.887 | Dupa aprobare |
| 4 | Actionari pers.juridice | 1.188 | 2.316 | Dupa aprobare |
| | Total | 2.284.503 | 2.856.000 | |

3.3 Redemption of shares

This is not the case - the company did not buy its shares on the market.

3.4 Shares held in the parent company

This is not the case - The Royal Society has no subsidiaries, so no shares were issued by the parent company to be owned by subsidiaries.

3.5 Debt securities held in the parent company

This is not the case - the Company has not issued debt securities or bonds.

4. THE MANAGEMENT OF THE COMPANY

The company is managed by a Board of Directors composed of three members, elected by the general meeting of shareholders for a period of 4 years, with the possibility of being re-elected. The members of the Board of Directors have concluded with the company administration contracts starting with 15.09.2018. The general director is appointed by the general meeting of the shareholders for a period of 4 years, with the possibility of extending the mandate, concluded with the management contract company.

The Chief Accountant is an employee of the company, the individual employment contract being concluded for an indefinite period.

4.1. The company's board of directors consists of:

Esanu Vasile Romeo President of CA

Albastrel Mikhaela Member

Nijnic Marin Ilie Member

4.2. The executive management is provided by:

Trandafir Elena Managing Director

Mocanu Aurora Accounting Chief

The total amounts collected during the year 2019 by the Board of Directors and the Executive Management are presented in the table below.

NET AMOUNTS received by the Directors and General Manager in 2019:

| Nr. Crt. | Name surname | Function | Net amounts from which: | Participation in profit in 2018 | Allowances AS / CEO |
|---------------|-------------------|--------------|-------------------------|---------------------------------|---------------------|
| Payment month | | | | June 2019 | |
| 1 | Esanu Romeo | President AS | 38.827 | 13.627 | 25.200 |
| 2 | Albastrel Mikhela | Member AS | 13.851 | 5.451 | 8.400 |
| 3 | Nijnic Marin Ilie | Member AS | 13.851 | 5.451 | 8.400 |
| 4 | Trandafir Elena | CEO | 80.138 | 17.138 | 63.000 |
| TOTAL | | | 146.667 | 41.667 | 105.000 |

4.3. The members of the board of directors have no shareholdings in the capital of the Company.

The persons presented above have not been involved in litigation or administrative proceedings in the last 5 years. We mention that the provisions of art.126 of the Law no.31 / 1990 republished were respected.

There are no agreements, agreements or family ties between the administrators of the Company.

The general manager of the company is a shareholder in Regal S.A, holding 73 shares.

During 2019, 16 meetings of the Board of Directors were held. The report on the implementation of the adopted decisions is annexed to this report.

5. Financial - accounting

a) Regarding the evolution of the financial potential of the company over the last three years (2016,2017,2018) we mention the data from the following table:

| Evolution of financial potential | 2017 | 2018 | 2019 |
|----------------------------------|-------------|-------------|-------------|
| 1. TOTAL ASSETS | 5.178.894 | 9.179.082 | 10.797.233 |
| 1.1. Asset assets | 1.821.106 | 4.479.903 | 7.407.174 |
| 1.2 Net working assets | 3.357.788 | 4.699.179 | 3.390.059 |
| - availability | 3.537.870 | 5.367.813 | 3.860.707 |
| 1.3. Regularization accounts | - | - | - |
| 2. TOTAL LIABILITIES | 4.968.873 | 9.037.096 | 10.662.233 |
| 2.1. Equity | 4.968.873 | 9.037.096 | 10.662.233 |
| 2.2 Total obligations | 139.614 | - | - |
| 2.3. Regularization accounts | - | - | - |
| 2.4. Provisions | 70.407 | 141.986 | 135.000 |

Statement of current assets

1) The inventory situation

In accordance with the provisions of the Accounting Law no.82 / 1991 republished, of the OMF 1802/2014 and of the OMF no.2861 / 2009 the financial compartment has inventoried the cash availabilities from the bank accounts and the house. Also, by sending the statements of account for confirmation, the situation of the balances of the accounts of suppliers and customers was inventoried.

Based on the decision no. 23 of 28.10.2019 the inventory of the patrimony was carried out. There were no differences from the use of inventories.

2) The situation of the debtors

| Nr.crt | NAME OF INDICATORS | THE AMOUNT |
|---------------|----------------------------------|-------------------|
| 1 | Providers debtors | - |
| 2 | Customers - adjustments | 19.766 |
| 3 | Tax | - |
| 4 | Debtors - adjustment | 698 |
| 5 | VAT collected (recoverable) | 43.485 |
| 6 | Special receipts from the budget | - |
| 7 | Interest receivable | 6.863 |
| | T O T A L | 70.812 |

Debt recovery period at 31.12.2019 = 59.23 days > 29.86 days at 31.12.2018

3) The company's debt situation

| Nr.crt | NAME OF INDICATORS | TOTAL | UP TO 1 YEAR | OVER 1 YEAR |
|---------------|---|----------------|---------------------|--------------------|
| 1 | Suppliers for the current activity | 6.595 | 6.595 | - |
| 2 | Suppliers of unused invoices | 36.868 | 36.868 | - |
| 3 | Customer creditors | - | - | - |
| 4 | Personal debt | 4.444 | 4.444 | - |
| 5 | Material guarantees | 24.515 | 24.515 | - |
| 6 | Debts with social insurance | 11.706 | 11.706 | - |
| 7 | VAT paid | - | - | - |
| 8 | Payroll tax | 2.002 | 2.002 | - |
| 9 | Tax profit | 245.521 | 245.521 | - |
| 10 | Dividend tax | 5.395 | 5.395 | - |
| 11 | Settlements with shareholders | 24.069 | 24.069 | - |
| 12 | Silver dividend | 150.197 | 150.197 | - |
| 13 | Assimilated loans and debts | 58.884 | 58.884 | - |
| 14 | Various creditors | 7.181 | 7.181 | - |
| 15 | Settlement within the group (anticipations) | - | - | - |
| | T O T A L | 577.377 | 577.377 | - |

Debt rotation period as of 31.12.2019 = 482.96 days > 375.42 days as of 31.12.2018

- b) The profit and loss account for the last three years (2017, 2018, 2019) expresses the economic - financial evolution of the company according to the data in the table below:

| Evolution of financial potential | 2017 | 2018 | 2019 |
|---|-------------|-------------|-------------|
| I. TOTAL REVENUE, of which: | 3.677.679 | 5.655.891 | 2.640.096 |
| - Fiscal value | 946.080 | 677.360 | 436.356 |
| 1.1. Operating income | 3.650.707 | 5.629.554 | 2.568.208 |
| - merchandise sales | 123.010 | - | - |
| - production revenues | - | - | - |
| - rental and rental income | 823.070 | 677.360 | 436.356 |

| <i>Evolution of financial potential</i> | <i>2017</i> | <i>2018</i> | <i>2019</i> |
|--|--------------------|--------------------|--------------------|
| - revenues from various activities | - | - | - |
| - revenues from works executed | - | - | - |
| - other revenues (active sales) * | 2.704.627 | 4.952.194 | 2.131.852 |
| 1.2. Financial income | 26.972 | 26.337 | 71.888 |
| II. TOTAL EXPENSES, of which: | 1.661.074 | 1.964.731 | 2.467.907 |
| - expenses related to the goods | 48.940 | - | - |
| - material expenses | 40.276 | 28.559 | 31.725 |
| - staff costs | 509.633 | 553.784 | 502.949 |
| - expenses of works of third parties | 168.457 | 161.964 | 134.522 |
| - spending with taxes and taxes | 123.055 | 76.302 | 55.592 |
| - depreciation expenses | 161.836 | 125.486 | 250.015 |
| - other operating expenses ** | 608.877 | 1.008.747 | 1.492.991 |
| 2. Financial expenses | - | 9.889 | 113 |
| 3. Extraordinary expenses | - | - | - |
| III.BREAK PROFIT | 2.016.605 | 3.691.160 | 172.189 |
| IV. TAX ON PROFIT | 389.126 | 579.927 | 245.521 |
| V. NET PROFIT | 1.627.479 | 3.111.233 | -73.332 |

* The company sold during the year 2019 tangible assets with an unamortized value of RON 1,448,825, the expense of removing from management and the gross income in the amount of 2,016,000 lei being included in the line "Other operating income" in the financial statements, thus obtaining a net profit from the transaction of 567,175 lei.

** For the purpose of complying with the principle of comparability of information, in the financial statements we present the correction of error in classifying the revenues from the disposal of tangible assets.

According to the above table during the analyzed period Regal SA obtained total revenues in the amount of 2,640,096 and recorded total expenses in the amount of 2,467,907 lei, resulting in a gross profit in the amount of 172,189 lei. The calculated profit tax is of 245,521 lei, resulting in a loss in the amount of 73,332.

We propose for approval the AGOA the distribution of the amount of 2,097,924 lei which represents reserves from the revaluation of the assets sold on dividends. Gross dividend per share 1,74827 lei.

a) Revenue

Analyzing the revenues of the fiscal year 2019, it is observed that 76.48% of the total revenues represent the revenues obtained from the sales of assets, 16.53% represent the rental income, 2.73% the financial revenues and 4.26% from other revenues.

Analyzing the revenues obtained in 2019 compared to those obtained in 2018, it is found that in 2019 total revenues were lower with 3,015,795 lei.

Due to the fact that in 2018, revenues from the sale of assets were higher than the revenues from the sale of assets in 2019, the influence coming from the registration of the revaluation of assets at fair value as of 31.12.2018

As of 31.12.2019 the availabilities were in the amount of 3,860,707 lei with 1,526,685 lei lower than at the beginning of the year.

These availabilities can be found in short term deposits at the following banks:

- | | |
|-------------------------------------|-----------------|
| - Banca Comerciala Romana (Ideal) | - 2.333.264 lei |
| - Banca Comerciala Romana(garantii) | - 24.515 lei |
| - Garanti Bank | - 463.468 lei |
| - Alpha Bank | - 408.300 lei |
| - First Bank | - 500.100 lei |

b) EXPENDITURE

The total expenses incurred during the analyzed period in the amount of 2,467,907 lei (annex 1) did not fall in the ones forecasted in the BVC for the year 2019, realizing in percentage of 202.89%.

The increase consists of expenses with unamortized value of assets, Restaurant Olt 3 and Restaurant Locomotiva. These are not included in the BVC approved for 2019.

The increase of the expenses with the depreciation following the corrections made to the evaluation at fair value for the year 2018.

Compared to the year 2018, a percentage of 125.61% was achieved.

The financial expenses in 2019 amount to 113 lei.

c) PROFIT

The activity of Regal Galati in the financial year 2019 ended with a gross profit of 172,189 lei, the tax on profit was of 245,521 lei, recording a loss in the amount of 73,332 lei,

The main cause for this result was the corrections applied to the fair value of buildings and land for 2018. Thus, by selling the tangible assets, surplus was realized in the valuation reserve, being assimilated to the income in the calculation of profit tax (Annex 1).

INVESTMENT

At 31.12.2019 the company incurred expenses for investments in total value of 71,641 lei, representing:

- advance technical expertise Restaurant Locomotiva in order to obtain the authorization of ISU, in the amount of 15,040 lei,
- Elite wrapping and exterior painting works, in the amount of 26,601 lei.
- Head office, in the amount of 30,000 lei

The name of the external financial auditor

The auditor of the company is KPMG Audit SRL, registered at the Electronic Public Register of Financial Auditors and Audit Firms with no. FA9, appointed by the OGMS from 15.04.2019

The financial statements at 31.12.2019 will be audited after issuing them for approval.

Litigation situation

Throughout the year, the company made efforts for cashing in the account and the clearing system, and for the bad taxpayers it was currently proceeded to sue them, based on the monthly information prepared by the financial office for the legal office.

Six debtors are being enforced.

Provisions were established for clients and debtors who did not pay their obligations to the company and with lawsuits pending. At 31.12.2019, the balance of the provision accounts is 57,039 lei.

SITUATION LIST OF LITIGIILOR REGAL SA existing on 31.12.2019. Roles on file:

| <i>Nr crt</i> | <i>No. Folder</i> | <i>Applicant</i> | <i>Respondent</i> | <i>Tthe reason dispute</i> | <i>Value dispute claims (RON)</i> | <i>The court</i> | <i>Status current</i> |
|---------------|-------------------|------------------|--------------------------|----------------------------|-----------------------------------|------------------|-------------------------------|
| 1 | 11884/233/2017 | REGAL SA | BRATES PRUT FRUMUSITA SA | claims | 64.040.00 | Tribunalul GI | Rejected call of the bulkhead |
| 2 | 3551/233/2017 | REGAL SA | VITIMAS SA | claims | 69.808.00 | Tribunalul GI | Rejected call of the bulkhead |
| 4 | 1611/121/2016 | REGAL SA | ARCBLANK SRL | debt | 19.440,00 | Tribunalul GI | Being |
| 5 | 14882/233/2018 | REGAL SA | VIOVIN PROSERV | claims | 2.898,00 | Judecatoria GI | Being |
| 6 | 6688/233/2019 | REGAL SA | PROTONIC HOLIDAY SRL | claims | 2.970,00 | Judecatoria GI | Action allowed |
| 7 | 23925/233/2019 | REGAL SA | DIMA VIOREL | claims | 10.303,00 | Judecatoria GI | Being |

Analysis of meeting the performance criteria

| Target | KPI 2019 | Weight% | UM | BVC 2019 | Achieved 2019 | Achieved% |
|--------------------------|-----------------|----------------|-----------|-----------------|----------------------|------------------|
| Lichidizare portofoliu | Vanzare active | 70 | Nr. | 3 | 3 | 100% |
| Incadrarea in BVC | Profit net | 20 | Mii lei | 169.025 | 73.332 | |
| Aprecierea din partea CA | | 10 | | | | 100% |

According to the order MF 1802/2014, section 3.2 during the auditing of the financial statements for 2019, corrections were made on the initial balances on 01.01.2019 of the fair values for buildings and lands worth 2,378,500 in buildings and of 667,500 lei on land. Such corrections were applied to assets that were sold during 2019, as follows:

- Olt 3 restaurant from an initial value of 683,700 lei to the value of 852,600 lei;
- Locomotive Restaurant from a value of 236,000 lei to a value of 649,600 lei.

This fact led to the modification of the preliminary net profit by translating it to the reported result representing the surplus realized from revaluation reserves.

The effect of the revaluation on the distribution of the result of 2019

As a result of the revaluation of the above assets, the result of 2019 is negative, but the gross dividend per share proposed to be distributed to the shareholders for the year 2019 in value 1.74827 lei does not change compared to the preliminary one, due to the surplus from the sale of the revalued assets.

Changes in the Company

There were no significant changes in the structure of the shareholders in the Company and there were no events that would fall under the incidence of Law no. 64/1995.

Also, there were no conflict of interest situations and there were no situations in which to apply art. 225 and 241 of Law 297/2004.

The tasks provided by art.11 of the Accounting Law no. 82/1991, republished, regarding the organization and correct and up-to-date accounting of the accounting within the Company.

The economic-financial operations regarding the expired financial year were recorded in legal documents and accounted for, as it results from the synthetic balance and the balance sheet drawn up on 31.12.2019, the drafting of the balance sheet was taken into account of art.28 of Law 82/1991, republished.

All the items entered in the balance sheet correspond to the data recorded and agree with the real situation of the patrimonial elements based on the inventory.

There was no trade-off between the balance sheet accounts, nor between the income and expenses of the profit and loss account.

The accounting policies used in the preparation of the annual financial statements are in accordance with the accounting regulations applied.

The financial statements as of 31.12.2019 provide a faithful picture of the financial position, financial performance and other information regarding the activity carried out.

SITUATION OF THE DEGREE OF REALIZATION OF BVC. FOR THE YEAR 2019

| Nr. crt. | Specification | Made 31.12.2018 | 31.12 2019 | | Gr realiz. (%) |
|----------|------------------------------------|-----------------|------------|---------|----------------|
| | | | BVC | Made | |
| I. | TOTAL INCOME | 5655891 | 1417586 | 2640096 | 186,24 |
| 1. | Operating income, of which: | 5629554 | 1383586 | 2568208 | 185,62 |
| a | Income from assets. the base | 677360 | 439000 | 436356 | 99,40 |
| | - retail sales. | - | - | - | - |
| | - production revenues | - | - | - | - |
| | - income., rent | 677360 | 439000 | 436356 | 99,40 |
| b | Income from other activities | 4952194 | 944586 | 2131852 | 225,70 |
| | - income from assets. div. | - | - | - | - |
| | - came active sale | 4557435 | 742600 | 2019000 | 271,89 |
| | - other incomes | 394759 | 201986 | 112852 | 55,88 |
| 2 | Financial income | 26337 | 34000 | 71888 | 211,44 |
| | - interest income | 6278 | 25000 | 57414 | 229,66 |
| | - income from financial investment | 7256 | 3000 | 7106 | 236,87 |
| | - different course came | 7910 | 3500 | 4389 | 125,40 |
| | - received dividends | 4893 | 2500 | 2979 | 119,16 |
| | - income from discounts | - | - | - | - |
| II. | Spend. TOTAL | 1964731 | 1216361 | 2467907 | 202,89 |
| 1. | Operating expenses | 1954842 | 1209361 | 2467794 | 204,06 |
| a | Material expenses | 28559 | 39000 | 31725 | 81,35 |
| | - cost.of goods. | - | - | - | - |

CHAIRMAN AS,
Esanu Vasile Romeo