

PRELIMINARY REPORT¹

on the financial results of *Transilvania Broker de Asigurare S.A.* as of 31 December 2020

TRANSILVANIA BROKER DE ASIGURARE S.A.

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

In accordance with the provisions of the Romanian Law 24/2017 and the FSA Regulation no. 5/2018 on issuers of financial instruments and market operations,

The Issuer **TRANSILVANIA BROKER DE ASIGURARE S.A.** presents to all interested parties the preliminary financial results for the end-of-year 2020

Report date: 25.02.2021

Issuer: TRANSILVANIA BROKER DE ASIGURARE S.A.

Headquarters: Calea Moldovei nr. 13, Bistrița

Phone: +0263-235900, Fax: +0263-235910

Fiscal code: 19044296

Trade Registry no: J06/674/2006

Subscribed and paid share capital: 500.000 lei

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

¹¹ This Report is a convenience translation of the Romanian version `Raport privind rezultatele financiare anuale preliminare aferente perioadei de raportare încheiate la 31 decembrie 2020` which is to be regarded as the official document.



1. RETROSPECTIVE AND PERSPECTIVES

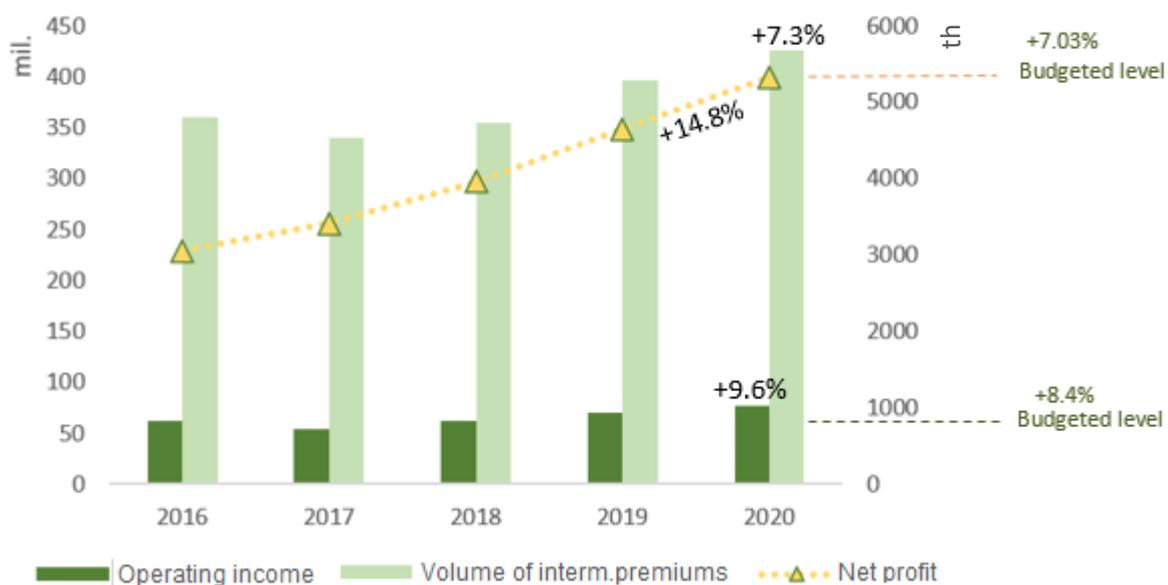
The year 2020, a year with multiple endogenous and exogenous challenges for Transilvania Broker de Asigurare S.A. ("Transilvania Broker", "Company"), validated the strength, vision and sustainability of the Company's development strategy, confirming the growth trends for the company's result and performance indicators. For the fourth consecutive year following the Company's listing on the Bucharest Stock Exchange (BVB), the net profit and the profit margin have increased, reaching a level higher by 74.6% and, respectively, 41% than the 2016 reference level.

The net positive result, amounting to 5,327 thous. lei, higher by 14.8% than the 2019 net result, was supported by a profit margin of 6.88%, an average brokerage commission for the first time over 18%, by 0,42 p.p. higher than 2019, as well as by the **increase in the volume of intermediated premiums by 29,021 thous. lei (+ 7.3%)**. The value of the intermediated premiums also exceeds, for the first time, the threshold of 400 million lei, reaching 425,621.5 thousand lei.

The revenues generated by the brokerage activity are by 9.7% (+6,827.7 thous. lei) above the level reported on 31.12.2019, while the gross operating result exceeds the same reference level by 13.1%.

Transilvania Broker reports a turnover by 8.4% higher than the budgeted levels for 2020, as well, while the operating result and the net profit registered values by 15.2% and, respectively, by 7.03% above the forecast.

Fig. no.1 Performance indicators development, 2016-2020





The financial position indicators – i.e. current ratio, financial solvency and debt ratios - are positioned outside the stress intervals and on a confirmed favorable trend.

Transilvania Broker reported increases in the volumes of intermediated premiums on most insurance classes. The champions of increase in absolute value are A10 class (vehicle liability insurance) with an increase of 19.251,4 thous. lei and A3 class (+5,172.7 thous. lei), while the highest percentage increases were recorded for the credit insurance (+ 324%), health insurance (+ 31%), railway rolling stock (+ 29%) and accidents (+ 21%) in the general insurance class. Also, the volume of the intermediated life insurance premiums continued to increase (+ 21.3%).

In an uncertain economic and social environment marked by multiple and interdependent risks and new challenges, Transilvania Broker demonstrates resilience and agility, turning threats into opportunities, while continuing, with determination and tenacity, the pursuit of its long-term growth objectives.

In terms of marketing strategy and optimization of the brokerage infrastructure, the management of Transilvania Broker has successfully completed projects such as:

- ✓ **The new website and location platform**, where the Transilvania Broker clients can find their nearest representative, request insurance offers, contact the company on *livechat*, etc. Also, *any collaborator can activate their own contact page*, wherefrom potential and current clients can find their contact details, a short characterization, photos with the location premises and contact forms;
- ✓ **The Collaborator Dashboard** - a "control panel" available to each collaborator registered on the website, where they can add their location in order to appear on the map of the Transilvania Broker representatives, set their account details and where all the other future features of the marketing platform will be added;
- ✓ **The marketing standardization**, with the purpose of ensuring a unitary customer experience in all Transilvania Broker locations;
- ✓ **Online card payments facility, very much welcome** especially in the context of the pandemic; the policy online payment was implemented in partnership with the payment processor Netopia World Payments.

In addition to the above completed projects, the company's management has initiated multiple new developments to be implemented in the first half of 2021, of which we will mention only the following:

- **The online issuing platform** - the online sales platform currently active for vehicle liability insurance, will gradually include more and more types of policies, a tool through which the network of collaborators will be able to expand their customer portfolio in the online area; it is planned to become fully operational by March 2021;
- **The Brandkit project (in dashboard)** - on the one hand, it will allow collaborators to request and use free promotional materials and, on the other hand, it will provide them access to complex promotional materials (planners, banners, etc.) which they will be able to customize and use for a fee. This is also due to be launched March 2021;



- **The training platform** - this will provide collaborators with information and training materials, from basic courses to training in complex insurance products, live courses and conferences with specialists in complex insurance;
- **Optimizing the investor relations**, to which transparency, consistency and continuity of communication are key elements, on which the company's management will mainly focus in 2021. In this regard, the aim is to diversify communication channels by introducing newsletters and periodic communications in video format, that will focus on the company's news and developments. At the same time, events will be organized through which shareholders and potential investors will be able to learn the activity, vision, culture, opportunities and challenges of Transilvania Broker, beyond the results and the financial reports.

In addition to the above projects, Transilvania Broker announces the resolute penetration of the Bucharest market, an ongoing investment effort in favor of important future expansion. In order to develop a new office in Bucharest, based on the decision of the Extraordinary General Meeting of the Shareholders of Transilvania Broker (EGMS) no. 11 / 29.07.2020, a 1.8 million lei building was purchased in the 1st District of Bucharest, the Aviation area. The acquisition is financed by contracting an investment credit in the form of a mortgage loan in the amount of 1.61 million lei, approved by the same EGMS, as well as with own disposable funds. Given the favorable levels of the Company's indebtedness and liquidity, this acquisition does not significantly alter the financial position of the company.

The year 2020 naturally marked the transition to a new stage of development, against the background of a sustained trend of intensive and extensive growth over the last 4 years, through the decision to inaugurate new corporate governance structures. The EGMS meeting on 29.07.2020 voted in favor of amending the Articles of Association in the sense of increasing the number of members of the board, from 3 to 5. The decision is presently being implemented.

Transilvania Broker's CSR pursuits have continued, focusing on the specific challenges of 2020. The amount directed to project sponsorships in the social, health or educational area amounted to 210 thous. lei, by 17.8% higher than the previous year .

To its shareholders, Transilvania Broker distributed dividends in gross value of 1.52 lei / share, in accordance with the OGMS Resolution no. 10 / 28.04.2020, which is 81.9% of the net profit related to the financial year ended 31.12.2019 and by 0.24 lei / share more than the previously distributed gross dividend.

2. THE ISSUER'S FINANCIAL POSITION AND PERFORMANCE

2.1. FINANCIAL PERFORMANCE EVOLUTION

Financial performance indicators				
(lei)	2019 31 December	2020 31 December	Variation (%) 2020/2019	Share in specific income / exp. category (%), 2020
Operating revenues, of which:	70,625,675	77,411,931	+9.6%	100%
Revenue from insurance brokerage	70,544,204	77,411,931	+9.6%	100%
Other operating revenues	81,471	0	0	0%
Operating expenditure, of which:	65,218,384	71,296,051	+9.3%	100%
Expenditures with commissions due to broker agents	60,045,230	65,510,256	+9.1%	91.9%
Expenditures with services provided by third parties, of which	2,006,669	2,059,280	+2.6%	2.98%
<i>exp. with advertising, marketing</i>	526,465	472,679	-10.2%	
<i>other exp. with third parties' services</i>	1,480,204	1,586,601	+7.2%	
Expenditures of material nature as consumables, inventory objects	228,543	252,600	+10.5%	0.35%
Expenses with other taxes, fees and similar payments	104,302	101,278	-2.9%	0.14%
Personnel costs	2,542,601	2,975,915	+17%	4.17%
Amortisation expenditures	108,593	132,964	+22.4%	0.19%
Current assets depreciation expenditures	0	43,895	-	0.06%
Other operating expenditures	182,446	219,863	+20.5%	0.31%
GROSS OPERATING RESULT	5,407,291	6,115,880	+13.1 %	-
Financial revenues	28,034	34,140	+21.8%	-
Financial expenditures	61,780	65,267	+5.6%	-
FINANCIAL RESULT	(33,746)	(31,127)	-	-
GROSS RESULT	5,373,545	6,084,753	+13.2%	-
Tax on profit	733,771	757,762	+3.3%	-
NET RESULT	4,639,774	5,326,991	+14.8%	-

The company's revenues generated by the brokerage activity, element identified with the *Net Turnover* and representing all of the operating income, increased by 9,61% as compared to the previous year, given the boost in the 2020 intermediated premiums volume of 7,3% (from 396,600.7 thous. lei in 2019, to 425,621.5 thous. lei in 2020). The average brokerage commission, computed as the ratio between the intermediate premiums volume and the income from the brokerage activity, increased from 17.8% in 2019, to 18.2% in 2020.

The evolution of the operating expenditures has mirrored the trend of the operating revenues, but at a slower pace (+9.3%), which has led to a positive operating result of 6,115.9 thous. lei, a level 13.1% higher than the year before. The gross profit margin increased also from 7.67% last year, to 7.9% in 2020.

Expenditures with commissions due to broker agents, which concentrate 91.9% of total operating expenses, increased, compared to 2019, at a slightly lower rate than the increase in revenues from intermediation activity (+ 9.1% pp).

The Company's personnel has drawn 4.2% of the total operating expenses, respectively, 2,975.9 thous. lei, by 17% more than in 2019, an evolution that reflects the intensive and extensive growth of Transilvania Broker's activity.

The advertising and marketing costs – the main category in the expenditures with services provided by third parties (23%) amounting to 472.7 thous. lei are a display of the management focus on promoting the Transilvania Broker's services. Next in line are the IT development expenses (21%) amounting to 431.1 thous. lei which increased by 11.6% compared to the previous year.

The value of the sponsorships oriented towards the needs of the health system and also for the social-educational projects supported by the Issuer increased by 17.8% in 2020 compared to 2019, reaching up to 210 thous. lei. Along with the funds allocated to Colentina Hospital as a solidarity gesture in the fight against COVID-19, Transilvania Broker was close to the Innocenti Foundation for Children with Disabilities, being the main sponsor of the St. Nicholas Gala. It also continued to support the children and youth's football club, ACS Transylvania.

The financial incomes and expenditures which represent, in proportion of 97.8% and 94.9%, respectively, interest income and expenses, generated a negative financial result of (-33.7 thousand) lei.

The gross profit of 6,084.8 thous. lei, adjusted by the profit tax of 757.8 thous. lei has led to a positive net result of 5,327 thous. lei, by 14.8% higher than the reported profit by the end of 2019.

2.2. FINANCIAL POSITION ANALYSIS

ASSETS

Financial position indicators (lei)	2019 31 December	2020 31 December	Variation (%) 2020/2019	Share in Total Assets on 31.12.2020
Fixed assets	2,040,516	4,060,086	+98.97%	27.4%
Intangible assets	8,636	11,886	+37.6%	0.08%
Tangible assets	2,019,710	4,027,501	+99.4%	27.2%
Financial assets	12,170	20,699	+70.1%	0.14%
Current assets	9,887,408	10,733,049	+8.6%	72.4%
Inventories	0	3,116	-	0.02%
Receivables, of which:	4,554,869	4,153,504	-8.81%	28.03%
brokerage related receivables	920,990	843,018	-8.5%	5.69%
other receivables	3,633,879	3,310,486	-8.9%	22.34%

Short-term investments	0	2,000,000	-	
Cash and bank accounts	5,332,539	4,576,429	-14.2%	30.9%
Prepayments	9,103	26,895	+195.5%	0.18%
TOTAL ASSETS	11,937,027	14,820,030	+24.2%	100%

DEBTS AND EQUITIES

Financial position indicators (lei)	2019 31 December	2020 31 December	Variation (%) 2020/2019	Share in Total Liabilities on 31.12.2020
Current debts	4,905,127	5,039,881	+2.8	34%
Bank loans	200,400	433,419	+116.3%	2.92%
Debts related to brokerage activity	4,116,732	3,939,878	-4.3%	26.6%
Other short-term debts	587,995	666,584	+13.2%	4.5%
Non-current debts	999,200	2,220,458	+122.2%	15%
Long-term loans	999,200	2,138,658	+114%	14.4%
Other debts	0	81,800	-	
Total debts	5,904,327	7,260,339	+23%	49%
Social capital	500,000	500,000		3.37%
Reserves, from which:	100,000	100,000		0.67%
Legal reserves	100,000	100,000		0.67%
Reported result	792,926	1,632,700	+2205.1%	11.02%
Reference result	4,639,774	5,326,991	+17.2%	35.9%
Total equities	6,032,700	7,559,691	+31.3%	51%
TOTAL EQUITIES AND DEBTS	11,937,027	14,820,030	+20.9%%	100%

The current assets at the end of 2020 year, which make up 72.4% of the total assets, consist of cash and cash equivalents (representing 42.6% of current assets and 30.9% of total assets) followed by receivables (representing 38.7% of current assets and 28% of total assets).

The variation of cash and cash equivalents at the end of 2020 as compared to 2019, (-14.2%), is mainly due to the establishment of a short-term bank deposit in the amount of 2,000 thous. lei, an element of liquid assets incorporating an investment component. Of the total amounts available in bank accounts and in cash, the company's own cash represents 53.4%, while the amounts in transit to be shortly settled with insurers, represent 46.6%. 1,649.7 thous. lei of the Company's own available funds represent the investment mortgage loan accessed for the purpose of purchasing the office building in Bucharest.

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 98% of all receivables. The decrease by (-8.47%) of their value, at the end of 2020 compared to the end of 2019, mirrors the variation in the intensity of the intermediation activity over the last settlement cycle.

The value of tangible assets, representing 99.2% of fixed assets and 27.2% of total assets, doubled on the background of the acquisition of the office building in Bucharest, which led to the increase of the value of land by 918.1 thous. lei and i of constructions, by 983.7 thous. lei. The Company also invested 163.9 thous. lei in means of transport and 59.2 thousand lei in other equipment. Adjusted with amortisation, the value of fixed assets increases by 2,019.6 thous. lei, respectively 99%.

On the Issuer's balance sheet liabilities, the debts, by 23% higher as compared to 2019, contribute by 48.99% to the financing of the assets. Against the background of equity increase, the share of debts in the total value of liabilities remains relatively constant, compared to 2019 (49.5%).

The current debts, representing 69.4% of total debts and 34% of total liabilities, consists mainly of debts related to the brokerage activity (78.2%), whose maturity and settlement are strictly regulated according to the specifics of the intermediation brokerage activity. As in the case of receivables derived from brokerage activity, the dynamics of current debts associated with brokerage activity (-4.3%) reflect the variation in the intermediation activity related to the last settlement cycle.

The value of debt owed to credit institutions increased 2.1 times as compared to 2019, because of higher bank installments values stemming from higher long-term debt, and of new obligations related to certain leasing contracts amounting to 104.9 thous. lei as of 31.12.2020. The short term debt to various creditors amount to 113.9 thous. lei, representing 2.26% of total current debt, while current debt related to personnel and public budget amounts to 552.7 thous. lei, respectively 11% of total current debt.

Long term debt represents exclusively the bank loans contracted over the last two financial years for the co-financing of tangible assets acquisition, purposed for changing the Company's headquarters and for developing the new office in Bucharest. The contracting of the investments mortgage loan for the purpose of acquiring the real estate in Bucharest led to an increased value of long-term debt by 114% compared to 31.12.2019.

The Issuer's equity, representing 51% of the company's liabilities at 31.12.2019, is by 25.3% higher than at the end of 2019, incorporating 1,632.7 thous. lei retained earnings (by 839.8 thous. lei above the level reported for 2019) but also the net result of the reporting period (5,327 thous.lei), which is by 14.8% higher than that of 2019.

3. ANALYSIS OF THE ECONOMIC AND FINANCIAL INDICATORS

3.1. Liquidity and solvency indicators

Indicators	Calculation formula	31.12.2019	31.12.2020	Benchmark
Current ratio / Quick ratio	Current assets/Current debts	2.016	2.130	>2
Cash ratio	Cash/Current debts	1.087	0.91	>0.8
Leverage ratio (solvency ratio)	Total Asset /Total debts	2.022	2.041	>1
Equity to capitalization ratio	Equity /(Long term debt + Equity) *100	85.8	77.3	>30%

The company's liquidity ratios highlight the positioning within the comfort range and the positive evolution as compared to 2019, especially considering the short-term bank deposit which, while proving good money management, slightly decreased the cash ratio. We also emphasize that these indicators reflect the particularities of the insurance brokerage 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.

At the end of 2020, against the background of the comparable increase, in absolute value, of the company's total assets relative to its total debt, the leverage ratio remains at a relatively constant level, significantly above the comfort threshold. Also, although the share of equity in the total permanent capital decreases from 85.8% to 77.3%, it stays well above the minimum level for a healthy business, strengthening the Issuer's high capacity for self-financing and debt payment.

3.2. Indebtness indicators

Risk indicators	Calculation formula	31.12.2019	31.12.2020	Benchmark
Long-term debt to capitalization ratio	Borrowed capital/ Long-term capital *100	14.21%	22.7%	<50%
Debt to equity ratio	Total debt / Total assets*100	49.5%	48.99%	<80%

Although the borrowed capital increases over the reporting period, compared to 2019, by 1,221.3 thous. lei (+ 122.2%), the increase of equity by 1,527 thous. lei keeps the share of long-term debt in the total permanent capital significantly below the maximum comfort threshold, of 50%. At the same time, the debt ratio remains at the same level as in 2019, considerably below the alert threshold. This suggests a low level of financial risk, a high level of debt payment capacity and proper credit risk management. Moreover, the debt to equity ratio and the structure of permanent capital continue to reflect easy access to funding on the monetary markets.

3.3. Margin and performance indicators

Indicators	Calculation formula	2019	2020
		31 December	31 December
Operating profit margin	Operating profit / Sales *100	7.67%	7.90%
Net profit margin	Net profit / Sales *100	6.58%	6.88%
Return to equity ratio	Net profit / Equity *100	76.91%	88.30%
Return to long-term capital ratio	Net profit / Long-term capital *100	65.98%	75.75%

The higher growth pace of the revenues as compared to expenditures, in 2020 compared to 2019, allowed for the slight increase of the profit margins. Also, the *return to equity ratio* and the *return to long-term capital ratio* describe an upward evolution, favorable in relation to the levels registered on 31.12.2019, reflecting the efficiency of the activity and the optimization of the valorisation of the Company's capital, even in a



challenging financial year, given the external conditions doubled by the ongoing implementation of the development strategy.

THE PRESENT REPORT HAS BEEN DRAWN UP BASED ON THE PRELIMINARY FINANCIAL STATEMENTS THAT ARE PRESENTLY BEING AUDITED.

The Chairman of the Board
Transilvania Broker de Asigurare S.A.
NICULAE DAN

Balance sheet, Transilvania Broker de Asigurare S.A.

As of December 31, 2020

(lei)

	January 1, 2020	December 31, 2020
Fixed assets, total of which	2,040,516	4,060,086
Intangible assets	8,636	11,886
Tangible assets	2,019,710	4,027,501
Financial assets	12,170	20,699
Current assets, total of which	9,887,408	10,733,049
Inventories	0	3,116
Receivables related to brokerage activity and other receivables	4,554,869	4,153,504
Other short-term investments	0	2,000,000
Cash and bank accounts	5,332,539	4,576,429
Prepayments	9,103	26,895
TOTAL ASSETS	11,937,027	14,820,030
Current debts, total of which	4,905,127	5,039,881
Debts related to brokerage activity	4,116,732	3,939,878
Amounts due to credit institutions	200,400	433,419
Trade and other debt	587,995	666,584
Net current assets / Net current liabilities	4,991,384	5,720,063
Total assets minus current debts	7,031,900	9,780,149
Non - current debts, total of which	999,200	2,220,458
TOTAL DEBTS	5,904,327	7,260,339
Subscribed and paid share capital	500,000	500,000
Reserves	100,000	100,000
Reported result	792,926	1,632,700
Reference result	4,639,774	5,326,991
TOTAL EQUITIES	6,032,700	7,559,691
TOTAL DEBTS AND EQUITIES	11,937,027	14,820,030

Profit and loss, Transilvania Broker de Asigurare S.A.

as of December 31, 2020

(lei)

	December 31, 2019	December 31, 2020
Operating income	70,625,675	77,411,931
Income from brokerage activity	70,515,427	77,395,091
Income from other activities in relation to the object of activity	28,777	16,840
Other operating income	81,471	0
Operating Expenses	65,218,384	71,296,051
Expenditure with fees due to brokerage assistants	60,045,230	65,510,256
Expenditure for services rendered by third parties	2,006,669	2,059,280
Expenditure on consumables and materials as inventory items	228,543	252,600
Expenses with other taxes, duties and similar charges	104,302	101,278
Personnel costs	2,542,601	2,975,915
Other operating expenses	291,039	396,722
<i>Operating profit or loss</i>	5,407,291	6,115,880
Financial income	28,034	34,140
Financial expenses	61,780	65,267
<i>Profit or financial loss</i>	(33,746)	(31,127)
<i>Gross profit or loss</i>	5,373,545	6,084,753
Tax on profit	733,771	757,762
<i>Net profit or loss for the financial year</i>	4,639,774	5,326,991

CHAIRMAN OF THE BOARD

Mr. Niculae Dan

HEAD OF ACCOUNTING SERVICE,

Mrs. Pârțiu-Vasilichi Oana