



Transilvania Broker[®]
BROKER DE ASIGURARE

Annual report

2018

of

TRANSILVANIA BROKER DE ASIGURARE S.A.

Issuer admitted to trading on the regulated market operated by BSE
Bursa de Valori București S.A.

Pursuant to the provisions of Law 24/2017 and FSA Regulation no. 5/2018 on Issuers of Financial Instruments and Market Operations,

Report date: 24.04.2019

Issuer: TRANSILVANIA BROKER DE ASIGURARE S.A.

Headquarters: Mun. Bistrița, str. Zorilor nr. 5, jud. Bistrița-Năsăud

Tel./Fax: 0263-235900, Fax: 0263-235910

Fiscal code: 19044296

Trade register no.: J06/674/2006

Subscribed and paid capital: 500.000 lei

The market on which the securities are traded: Spot Market, Main Segment, Standard Category

Contents

1. Analysis of the Company's activity	1
1.1. General assessments items	6
1.2. Assessing the technical level of the Company	10
1.3. Sales assessment	13
1.4. Personnel assessment	16
1.5. Assessment of the aspects related to the Company's main activity on the environment	17
1.6. Assessment of research and development activities	17
1.7. Risk management assessment	17
1.7.1. Description of the Company's internal control system	17
1.7.2. Description of the issuer's exposure to market, credit and liquidity risk	19
1.8. Prospective items on the Company's activity	20
2. The issuer's tangible assets	21
3. Security market issued by the Company	22
4. Corporate Governance items	24
4.1. Issuer management - Corporate Governance Structures	24
4.2. Statement of compliance with the Corporate Governance Code agreed by the BS	27
5. Economic and financial situation	31
6. Disputes	36
Annexes	



1. Analysis of the Company's activity

Year of establishment
Short history

TRANSILVANIA BROKER DE ASIGURARE S.A. is an insurance brokerage Company that started its activity in 2006. In almost 13 years of its existence, the operational activity of the Company has expanded to Bucharest and other 38 counties of the country through the network of over 1,800 assistant brokers, over 300 franchises and more than 100 repair units (Figure 1).

Fig. 1. The national presence of Transilvania Broker de Asigurare S.A.



Due to the development strategy pursued consist management, starting with 2015, Transilvania Broker de Asigurare S.A is among the top three insurance brokerage companies from the 300 active companies, according to a report prepared and published annually by the Financial Supervisory Authority (FSA)¹.

Main activity

The Company carries out activities and services specific to the insurance brokerage sector, being authorized by the Financial Supervisory Authority as an insurance broker. According to the "Articles of Incorporation", the main activity of the Company consists in the development of "Auxiliary insurance activities and pension funding, NACE code 662", the main sub-domain refers to "Activities of insurance agents and brokers; negotiation for individuals or legal entities, insured or potential insured, conclusion of insurance contracts and assistance before and during the performance of the contracts or in relation to the settlement of claims, as the case may be (code 6622)". Associated with the main activity, the Company also carries out "Risk and damage evaluation (code 6621)".

In addition to compulsory civil liability insurance policies- motor vehicles, professional liability or general civil liability - which represents, in volume and number, most of the premiums concluded by the brokers, Transilvania Broker de Asigurare S.A. intermediates a wide range of insurance products: life and health insurance policies, whose development has been, in recent years, a major part of

¹ [FSA, 2019, Insurance market evolution, anul 2018](#), Bucharest, also the previous editions.

human and financial resources; accident insurance policies; insurance policies related to transport means by land, railway, marine, aviation; housing, building and construction works; transit goods insurance, machinery, plant and equipment; credit insurance, guarantees and financial losses.

Explicitly, addressing to all segments of the insurance market, the Company places the "client" in the centre of philosophy and business practice, whose need for insurance is addressed in an integrated way. In this respect, the Company's brokers have the necessary training and tools to provide complete insurance schemes and programs customized to the client's integrated interests.

The services offered are not limited to brokerage on the insurance market, but they also include identification, assessment and risk management solutions, in order to minimize or transfer the insurable risks, analysis of effectiveness and efficiency of ongoing policies. The Company also offers to represent the client's interests throughout the term of the insurance contract, not only at the selection stage of the optimal alternative and negotiation of terms and conditions of insurance. Transilvania Broker de Asigurare assumes the management of contracts throughout their entire validity by seeking to adapt them to business dynamics and customer needs as well as to settle damages and obtain insurance indemnities.

Moreover, based on this central principle for the Transilvania Broker de Asigurare, the management of the Company attaches great importance to diversify and complement an innovative product portfolio. For example, we mention the newly launched product in 2017 - Transasist - the first comprehensive roadside assistance that provides non-stop, damage assistance, car repair, towing and car service.

Together with the extensive and intensive development of sales departments, the Company focuses its efforts on consolidating and equipping backoffice organizational levels with the human and technical resources needed to provide them with the minimal human and system error to support both the collaborators / as well as the customers, to terminate policies or to settle damages. In this respect, the Company carries out continuing training programs for brokers, as well as the development of the work platform by adding new features to improve data management and related elements for customers.

Legislative
background

The Company operates in accordance with the provisions of the Companies Law no. 31/1990, republished, with its subsequent amendments and completions, of Law no. 32/2000 on the activity and supervision of insurance and reinsurance intermediaries, with its subsequent amendments and completions, respectively of Law no. 136/1995 on insurance and reinsurance in Romania, with its subsequent amendments and completions. The Company also applies the rules and regulations issued by the Financial Supervision Authority (FSA) in the field of insurance and reinsurance, as well as the accounting and fiscal legislation (Accounting Law No. 82/1991 republished, as subsequently amended and supplemented, Law no. 227/2015 on the Fiscal Code, as subsequently amended and supplemented).

The Company is listed on the Bucharest Stock Exchange, Regulated Spot Market, Main Segment, Standard Category, starting with November 2017. As the issuer, Transilvania Broker de Asigurare S.A. complies with the legal provisions and regulations of the capital market (Law 24/2017, FSA Regulation No. 5/2018 on Issuers of Financial Instruments and Market Operations, EU Regulation 596/2014 on Market Abuse, etc.)

Significant reorganizations

There were no operations as mergers, divisions, acquisitions or other patrimonial changes, during of the reporting period, in the Company.

Acquisitions / disposals of assets

Following the EGM Resolution no. 8/06.12.2018, based on the sale-purchase contract no. 5468 / 18.12.2018 with the subsequent additional acts, the Company acquired two lands and a building located in Bistrita, Calea Moldovei nr. 13, județ Bistrita-Nasaud, with a total value of 1,698,272 lei, as the headquarters. The acquisition of these real estate properties is financed from own sources and by contracting a mortgage in accordance with the same EGM Resolution. This acquisition is expected to have a significant positive impact on the efficiency of the organization and conduct of the business, the rationalization of operational costs and the image of the Company.

Also, during 2018, the Company invested the amount of 83,965 lei in the purchase of computers and means of transportation and 2,091 lei in other intangible assets.

No disposals of assets were recorded in the reporting period.

Main results

Compared to the results reported at the end of the previous year (2017) and the levels projected for 2018, the financial results of the reporting period show significant positive variations.

Brokerage incomes, an indicator equivalent to net turnover, reports values with 15.4% higher than those for the financial year ended on December 31, 2017 and with 7.5% higher than planned.

Expenditures on personnel, increased by only 2.5% compared to 2017 and mark savings on the budgeted levels, with a negative of 6.9%. Other operating expenses exceeded the planned values by 44.7% and total expenditures are proportional to the variation in revenues, registering increases of 15.1% compared to the previous year and 7.6% compared to the budgeted level.

The net result recorded appreciations as of 16.2% higher than in 2017 and 4.1% compared to the planned profit (Table 1).

Table no. 1. Comparative table of reported financial results – to the historical and projected results

Indicators	2017 Achieved	2018 Achieved	2018 Budgeted	Variation %	
				2018 achieved/ 2017 achieved	2018 achieved/ 2018 budget
Brokerage income	53,835,203	62,121,897	57,800,000	+15,4%	+7,5%
Other operating income	71,083	22,924	100,000	-67,8%	-77,1%
Financial income	2,692	17,753	2,800	+559.5%	+534,0%
TOTAL INCOME	53,908,978	62,162,574	57,902,800	+15.3%	+7,4%
Personnel expenditures	2,270,043	2,327,041	2,500,000	+2.5%	-6,9%
Expenditure on fees due to brokerage assistants	45,544,380	51,905,798	48,552,000	+14.0%	+6,9%
Other operating expenses	1,980,776	3,175,484	2,194,100	+60.3%	+44,7%
Adjustments on fixed assets	135,930	76,591	171,425	-43,7%	-55,3%
Financial expenses	2,539	-	2,539	0.0%	0,0%
TOTAL EXPENSES	49,933,668	57,484,914	53,420,064	+15.1%	+7,6%
GROSS RESULT	3,975,310	4,677,660	4,482,736	+17.7%	+4.3%
Profit tax	569,688	719,134	681,798	+26.2%	+5,5%
NET RESULT	3,405,622	3,958,526	3,800,938	+16.2%	+4,1%

Among the most important initiatives of 2018, with a relevant impact on the dynamics of the activity, on current and future performance, we mention:

- Investments in the IT system, especially in the new version of the 24Broker IT application - a complex application integrated with the accounting program, having a direct effect on the efficiency and organization of the Company's activity, the level of security and compliance with the legislative requirements regarding the right to protection personal data (EU Reg. 679/2016). The automation of the validation activities for the amounts of insurance premiums entered into the Company's bar code content, brokerage management, report generation and transmission significantly reduced the Company's exposure to operational risks (human error) and streamlined the backoffice activity. At present, 30 employees annually manage about 80 million euros and the relationship with over 1,700 collaborators.
- further development of the Corporate, Life & Health and Damages departments through specialized personnel infusion and by superior IT equipment;
- stimulating growth on optional insurance classes;
- the implementation of the new CRM system, with excellent results in managing, tracking, consolidating and improving customer relationships. These investments will be reflected in the customer loyalty rate, in the image and

perception of the market on the professionalism and competitive advantage of the Company.

- Online and offline branding and advertising projects (including franchises) for a better and more even image, more present in the market. These include local community engagement initiatives through various sponsorships to young people with outstanding results at international competitions and Olympiads or to sports teams.
- Softskills development projects for the personnel for the communication improvement with the agents and clients of Transilvania Broker de Asigurare. materialized in massive corporate events, but also in programs implemented within the agency and the workplace.

1.1. General assessment items

TRANSILVANIA BROKER DE ASIGURARE S.A has prepared the financial statements in accordance with the provisions of the Accounting Law no. 82/1991 and of the Regulation 36/2015 for the approval of the Accounting Regulations regarding the individual annual financial statements and the consolidated annual financial statements applicable to the insurance and / or reinsurance brokers, in force at the reporting date December 31, 2018. The financial statements underlying this report were audited.

The management expressly and unconditionally states the compliance of the annual financial statements with all the applicable provisions under Regulation 36/2015. Fiscal policies were applied in accordance with the provisions of Law no. 227/2015 regarding the Fiscal Code. As follows:

- in accounting for the financial effects of the transactions in which the Company was engaged, the Company complied with the principles and accounting rules for the recognition and measurement of property assets;
- methods and rules for accounting and disclosure of assets, liabilities and equity, respectively the results obtained, have been applied consistently in order to ensure the timely comparability of the accounting information;
- there have been no situations of clearing the assets that represent assets with those representing liabilities, respectively between the recognized incomes and the expenses incurred;
- no causes have been identified that could endanger the normal course of business within a foreseeable period of time, thus it confirms the continuity of the business;

Profit,
Turnover, Costs

➤ the operations and financial-economic transactions carried out by the Company have been recorded on the basis of the supporting documents and evidenced in the accounting records, according to the legal provisions in force, and the results obtained are:

a) Net income: 3.958.526 lei

At a gross profit margin of 7.5%, slightly higher than the previous year (7.38%), accompanied by a positive net financial result of 17,753 lei, the net income related to the financial year ended on December 31, 2018 registered an increase in the absolute value of 16.24% over the previous year. The net profit margin remained relatively constant (6.37% in 2018 versus 6.32% in 2017).

b) Net turnover: 62.121.897 lei

The turnover of Transilvania Broker de Asigurare S.A., assimilated to the position of Brokerage Income, was 15.4% higher than in the previous year. The volume of turnover is directly correlated with the value of brokerage commissions whose average level for the Company was 17.76%, by 0.6 pp. higher than the average commission calculated for the entire insurance brokerage market (17.17%) and by 1.92 percentage points (+ 15.84 %) higher than in 2017.

c) Cost items

The main operating cost item remains the commission expense due to the brokerage assistants. With an increase of 14% compared to the previous year, and 7% higher than the plan, its share in total turnover, or in total operating expenses, fell sharply by 1 percentage point: from 84.6% of BA to 2017 , to 83.6% in 2018, respectively, from 91.2% of total operating expenditure in 2017 to 90.3% in 2018.

The Company has made cost savings through personnel costs which, with a 15.4% increase in turnover, increased by only 2.51% and showed a favourable 7% difference from the planned level on the background of investments in IT and operational infrastructure. These investments are mainly reflected in the increase in services expended by third parties, whose value increased by 2.45 times compared to the previous year, from 463.900 lei to 1.137.482 lei, due to the doubling of expenses with the development of 24Broker software and the growth of more than 3 times of the cost of third party services, including the implementation of the new CRM system.

A significant increase of 122% compared to 2017 was also recorded in relation to marketing and promotion expenses, with a direct resonance in the Company's image and sales.

Market share

Transilvania Broker de Asigurare S.A. maintains its market share around 5.5% and the third position in the ranking of the top 10 insurance brokers by the value of the premiums, being exceeded by Safety Broker de Asigurare SRL with 7.52% and followed closely Destine Broker de Asigurare-Reasigurare SRL with 6.92%, with

a market share of 5.27%, and Inter Broker de Asigurare SRL, with 4.86% of the profile market.

Main economic and financial indicators *Table no. 2 Liquidity and Solvency Indicators*

Liquidity and solvency indicators	Formula	2017 December 31	2018 December 31	Reference interval
General liquidity	Current assets / Current liabilities	1,355	1,962	>2
Immediate liquidity (quick ratio)	(Current Assets - Stocks) / Current liabilities	1,35	1,96	>0.8
Rapid liquidity (cash ratio)	Cash/ Current liabilities	0,83	0,95	
General solvency	Total assets/total liabilities	1,371	1,870	>1
Patrimonial solvency	Equities/ (equities + liabilities) *100	27,05%	46,53%	>30%

The general liquidity indicator approached the optimum level ("2"), due to the decrease in the assets at a slower pace (-53.25%) than the short-term payables (-32.30%).

Given the nature of the insurance brokerage activity that does not involve significant stocks, the quick ratio overlaps the general liquidity indicator. Immediate liquidity, which reflects the possibility of paying short-term debts on the treasury (cash and short-term placements) approaches the unit value, well above the minimum threshold of 0.2-0.3.

The ability of the Company to self-finance and the extent to which it can honour its payment obligations to third parties, expressed in terms of value through solvency ratios, is relatively high. The overall solvency that reflects the extent to which total liabilities can be covered by the Company's assets shows a steady growth trend, with total assets almost double the total debt. Equity also exceeded 17 pp. the benchmark of 30% of the Company's funding sources.

Table no. 3 Risk indicators

Risk indicators	Formula	2017 December 31	2018 December 31	Reference interval
Degree of indebtedness	Long-term liabilities/ Long-term capital*100	0,00%	20,71%	< 50%
Global indebtedness rate	Total liabilities / total assets*100	72,95%	53,47%	< 50%

The degree of indebtedness although rising over the reference period as a result of long-term bank credit, presents a relatively low level of exposure to risk: long-term debt accounts for 20.71% of the Company's capital, well below the threshold of 50%.

The global indebtedness rate, which measures the proportion in which the total asset is funded from sources other than its own, also describes a favourable trend for the Company, decreasing from 73% to 53%.

Table no. 4 Profitability and margin indicators

Profitability indicators	Formula	2017 December 31	2018 December 31
Operating result margin	Operating result / turnover *100	7,38%	7,50%
Net profit margin	Net profit / turnover *100	6,33%	6,37%
Margin of financial profitability	Net profit / equities *100	105,29%	86,19%
Return on long-term capital	Net profit / long-term capital *100	105,29%	68,34%

The profitability indicators are in a slight appreciation. The financial profitability and long-term capital, though declining on the backdrop of growth rates of equity and permanent higher than net profit growth rates, are above 85% and 65%, respectively.

The table of the economic and financial indicators presents a relatively low level of exposure to risk, a comfortable level of the Company's ability to honour its financial obligations as well as an efficient management of the Company's resources expressed in terms of positive results and increasing profitability levels.

State of cash
flows

The cash flow state of the Company, an important barometer for the creditworthiness and sustainability of the Company's activity, presents a positive level, sufficient to cover the growth and the remuneration of the equity and loan capitals (Table no.5).

Table no. 5. Cash Flow Statement - The level of cash in main activity, investment and financial activity at the beginning and end of the period.

Indicators	Period Achievements	
	31.12.2017	31.12.2018
NET CASH FROM OPERATIONS	3.819.149	- 3.084.609
NET CASH FROM INVESTMENTS	-46.220	-1.689.606
NET CASH FROM FINANCING	-95.127	1.400.000
CASH AND CASH EQUIVALENTS ON JANUARY 1	3.588.062	7.265.864
INCREASE OR DECREASE IN NET CASH AND CASH EQUIVALENTS	3.677.802	-3.374.215
CASH AND CASH EQUIVALENTS ON December 31	7.265.864	3.891.649

The cash of the Company recorded a decrease as compared to the previous period, as at 31.12.2018, at 46.44%. Payment of dividends to shareholders is reflected in the decrease in cash balance at the end of the year.

From the *operating activity*, the Company recorded a negative cash flow of 3,084,609 lei, generated by the payment of dividends to shareholders in the amount of 5,341,195 lei. Liquidity outflows for the payment of dividends were generated by the operating activity. Without taking into account the distribution of dividends on account of operating activities, and the income and net accounting result, it can be argued that the operating activity generates positive and significant net cash flows.

The cash flow from the *Investment Activity* shows a negative result in the analysed period, compared to the previous period, in value of 1,689,606 lei, generated by the payments for the acquisition of tangible assets in the total amount of 1,698,272 lei. During the analysed period there were no receipts from sales of assets.

The *financial activity* of the Company generated a positive cash flow of 1,400,000 lei generated by the change in the structure of the loans. During the analysed period, the Company contracted a long-term bank loan, worth 1,400,000 lei for the purchase of fixed assets.

1.2. Evaluation of technical level of society

TRANSILVANIA BROKER DE ASIGURARE S.A. serves the demand for insurance services on the insurance market in Romania through specific professional activities and services such as introducing, proposing or performing preliminary activities for the conclusion of insurance / reinsurance contracts or providing assistance for the administration or performance of contracts, in particular in case of damage.

Professional Services provided by the Company to customers or prospective insurance customers relates to:

- Developing the distribution activity under the conditions of ensuring correct treatment of clients, complying with the legal requirements regarding the distribution of insurance and reinsurance and avoiding biased, unfair, fraudulent or abusive practices;
- Identifying, assuring, assessing, and managing their risks;
- Introducing recommendations for minimizing or transferring insurable risks;
- Regarding the product and service offer, the reseller shall provide clients with complete, timely, accurate, objective and actual information on the proposed insurance product to enable customers to make an informed decision;
- Advising customers and potential clients based on their requirements and needs assessment, so that the proposed contracts are consistent with them;
- Analysis of potential insurance policies in progress;
- Designing an adequate insurance program;
- Negotiation of terms and conditions of the insurance policy, analysis of market opportunities in terms of quality / price and choosing the optimal insurance solution, according to the client's interests;
- Management of insurance contracts throughout their period of validity and their adaptation to customer business dynamics;
- Assistance in settling damages and in obtaining insurance indemnities;
- Providing information about the Romanian insurance market.

Awareness of the rights and information that an insured or potentially insured should have, through the minimum information submitted to clients prior to the conclusion of the insurance contracts.:

- Definition of each insured event, of the insurance indemnity in the case of the insured event, of each benefit and of the optional / additional clauses;
- exclusions from insurance;
- the moment of beginning and termination of the insurance contract;
- the arrangements for the execution, suspension or termination of the insurance contract;
- information on any rights the parties may have to terminate the contract before or after the contract, including any penalties imposed by the contract in such cases;
- the way in which premiums and terms of payment of insurance premiums are paid;

- the modalities and terms of payment of insurance indemnities, redemption amounts and insured amounts;
- information about premiums for each benefit, both principal and supplementary, as the case may be;
- information about the grace period
- bonuses calculation and distributions method;
- indication of the total redemption amount, the insured sums reduced, and the level at which they are guaranteed for each year of insurance within the insurance period covered by the insurance contract;
- information about situations where the policy's redemption value is 0;
- the procedures for resolving the possible litigation resulting from the performance of the contract, ie information on the amicable settlement of the complaints made by the contractors or the beneficiaries of the insurance contracts, as the case may be, which do not constitute a restriction of the client's right to resort to legal proceedings ;
- General information on deductions provided for by the tax legislation applicable to insurance contracts;
- the law applicable to the insurance contract;
- the existence of the Insurers' Guarantee Fund.

The main insurance products of the Company cover:

- Life insurance;
- Health Insurance;
- Accident insurance;
- Insurance of railway aviation, marine transport;
- Insurance of goods in transit;
- Household insurance;
- Insurance of buildings and property owned by legal entities;
- Civil liability insurance for motor vehicles;

Distribution channels

From the point of view of distribution channels, the Company has developed a vast network of over 1,700 brokerage assistants (individual and legal persons), 150 franchise locations and 4 work points covering 38 counties of the country, in addition to Bucharest. The four working points are headquartered in:

- Sibiu (str. Justiției nr. 10, jud. Sibiu)
- București (str. Buzești nr. 59, bl A5, Sc. 4, Et. 1, ap. 66, sector 1)
- Pitești (str. Intrarea Rozelor nr.3, jud. Argeș)
- Cluj-Napoca (str. Sarmizegetusa nr. 22, et. 1, jud. Cluj)

Structure of Turnover on Products

The evolution of sales by classes of insurance points to the continuation of the positive trend of the past years when the increase of optional insurance, a source of competitive advantage and long-term development were recorded. Life

insurance, although still under 1% of total insured premiums, increased by 133.6% contributing to 14.25% to the increase of 9.9 million lei in the total value of premiums insured (Table 6)

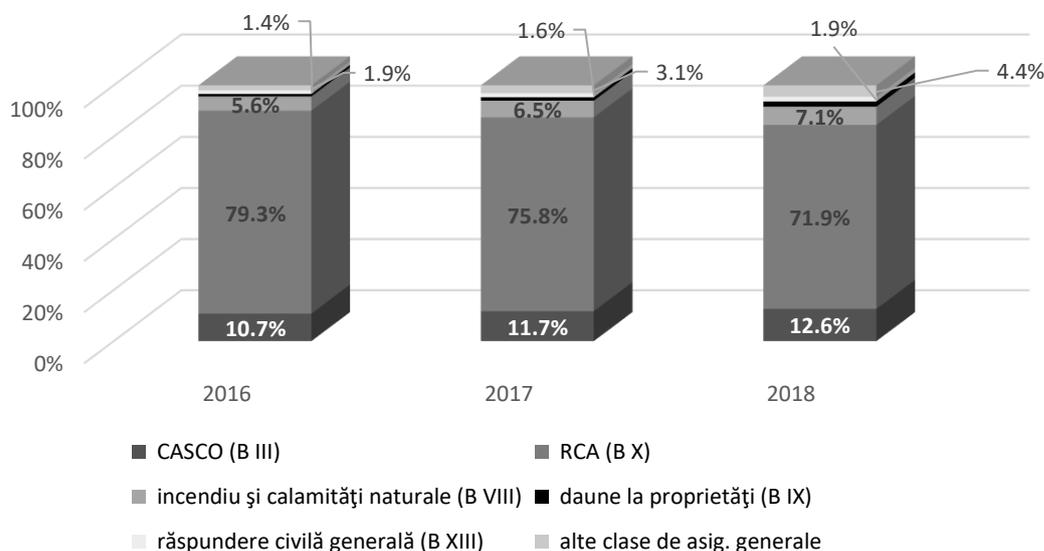
Table no. 6. The evolution of the structure of the volume of premiums insured by the main classes of insurance

Premiums written on insurance classes	2016	2017	2018	Variation 2018/2017 (%)
TOTAL, of which:	360.168.794	339.813.092	349.708.971	2.91%
Life insurances	734.795	1.055.320	2.465.091	133.59%
General insurances, of which:	359.433.999	338.757.772	347.243.880	2.51%
CASCO (B III)	38.619.365	39.605.956	43.720.492	10.39%
RCA (B X)	285.177.255	256.792.030	249.831.421	-2.71%
fire and natural disasters (B VIII)	20.135.840	22.059.260	24.818.035	12.51%
damage to property (B IX)	3.383.183	4.481.066	7.079.207	57.98%
general civil liability (B XIII)	5.201.675	5.454.460	6.481.311	18.83%
<i>other general insurance classes</i>	<i>6.916.681</i>	<i>10.365.000</i>	<i>15.313.414</i>	<i>47.74%</i>

Over the past three years, the share of life insurance premiums in total premiums increased from 0.2% in 2016 to 0.7% in 2018.

From the category of non-life insurance, the classes with the most significant increases were also optional: property damage insurance (+ 58%), general civil liability insurance (+ 18.8%), fire and natural disaster insurance (+ 12.5%) and CASCO (+ 10.4%). Their share in the total premiums insured varied slightly in recent years (Fig 2).

Fig. 2. The evolution of the structure of premiums insured in the general insurance class



The structure of commissions - of brokerage income - by classes of insurance follows the same evolution as the volume of premiums insured, as (Table 7)

Operational Infrastructure

The back-office technical support for the entire activity deployed in such a large network is provided by the 24Broker integrated application that performs multiple functions: (i) issuing insurance policies and their management (reports rates, expiration, automatic customer information , automatic validation of deposited amounts, cancellation of policies, etc.); (ii) issuing invoices to insurers; (iii) calculation of commissions due to brokerage assistants; (iv) customer management; (v) brokerage assistants management, etc. This software is integrated with the accounting software, WinMentor. Application implementation has begun since 2007 and its development and adaptation to current requirements remains one of the major concerns of the Company's leadership.

In 2019, the Company will continue to implement and develop the new CRM (Customer Relationship Management).

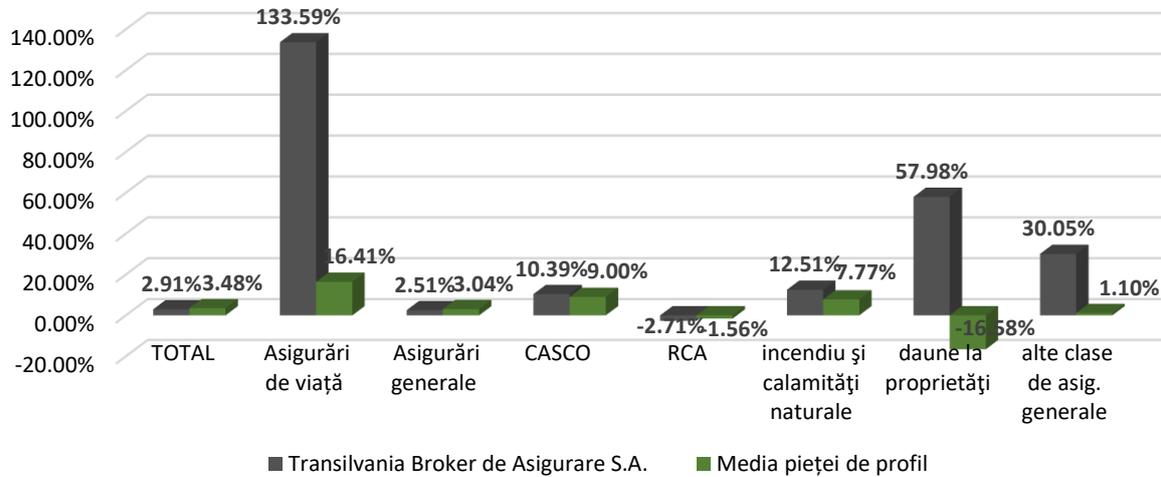
1.3. Sales assessments

Pursuant to the annual report of the FSA on the evolution of the insurance market in Romania, for the insurance / reinsurance brokers, 2018 meant a modest positive evolution in terms of volume of premiums (+ 3.48%) but significant in terms of average commissions + 12.71%). While in the non-life insurance segment the volume of premiums increased at the market level by 3.04% and the intermediation rate decreased by 1.15 percentage points, the general insurance premiums and life insurance premiums increased their value by 16 , 41% and brokerage degree increased from 10.14% to 11.32%.

Evolution in relation to the

Compared to the market dynamics, Revenues from brokerage activity increase by a higher rate of 15.4%, by 2.7 pp. higher than the average rate of increase of these revenues at market level, although the total value of the intermediate premiums increased at a lower rate than the market (fig.3)

Fig. 3. Variation of premiums on insurance classes, 2018-2017, Transilvania Broker de Asigurare S.A. vs average market profile

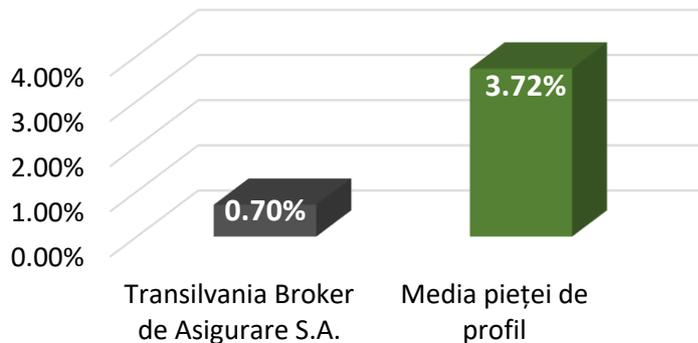


Competitive advantages

If the total amount of insurance premiums received by the Transilvania Broker de Asigurare increased by 0.57 pp. less than the growth average in the market, the growth rate for the life insurance category was almost 7 times higher and the growth rate for non-life insurance was 0.53 pp. lower than the market average. In the non-life category, the Company recorded more significant increases in CASCO, fire and natural disasters, property damage and other non-life classes. Analyzing the degree of similarity of the insurance portfolio by Transilvania Broker de Asigurare against the general structure of the market premiums, it is noticed that the accelerated growth rate of life insurance premiums in 2018 as compared to 2017 reflects the concern of the Company to increase the relative importance of this product category and the recovery of market share.

Fig. 4 Structure of premiums by insurance category, 2018. Transilvania Broker de Asigurare S.A. vs market.

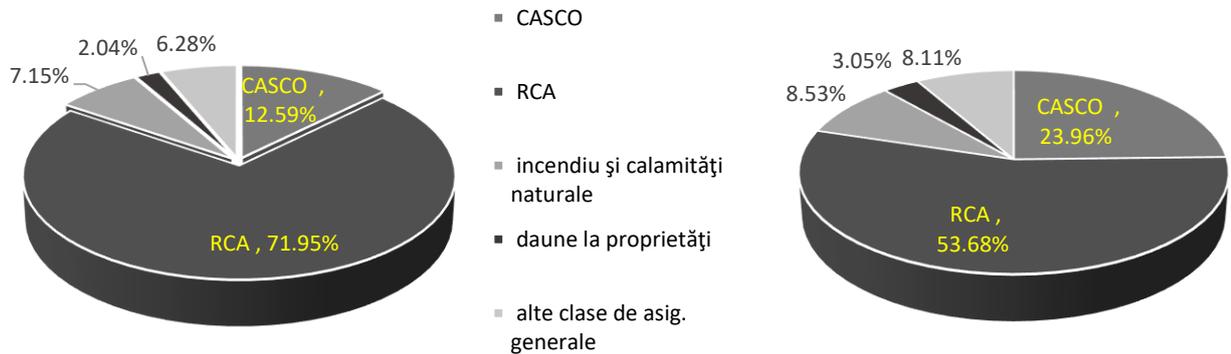
a) the share of **life insurance** in total insured premiums



b) The share of different classes of insurance in the category of general insurance, 2018

Transilvania Broker de Asigurare S.A.

Piața de profil



The comparative analysis of the structure of the volume of the intermediate non-life insurance premiums and their dynamics in relation to the profile market (Figures 3 and 4) reveals a competitive advantage for the category of compulsory motor third party liability insurance but also accelerated growth tendencies in order to provide new competitive advantages in the field of natural disaster insurances and, property damage insurance and other categories of niche insurance.

Market shares.
Competition

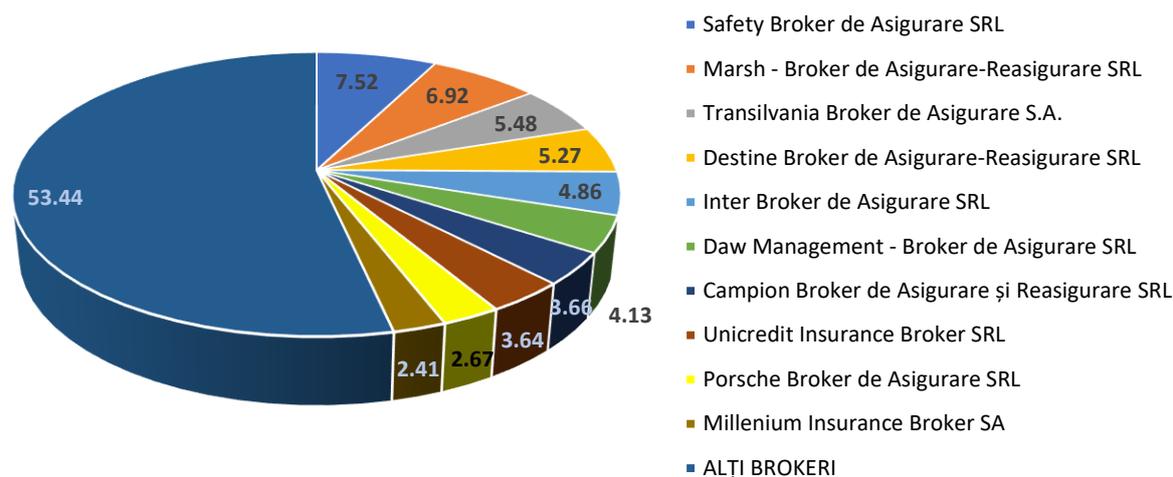
The overall and insurance classes evolution of the income from brokerage ensured the Company's third position in the ranking of the first 10 insurance brokers by the value of the intermediate premiums, Transilvania Broker de Asigurare S.A. holding a market share of 5.48% in 2018. In main categories of insurance, the market share of life insurance premiums by Transilvania Broker de Asigurare S.A. is 1.04%, while the market share for the non-life insurance category is 5.65% (Table 8)

Table no. 8 Market share of Transilvania Insurance Broker S.A. on different products

Insurance classes	Market share (%)
Total	5,48%
Life insurances	1,04%
General insurances	5,65%
RCA	7,58%
CASCO	2,97%
Fire and natural disasters insurance	4,74%
Damage to property (others)	3,78%

The main Company's competitors are Safety Broker de Asigurare SRL, Marsh-Broker de Asigurare si Reasigurare SRL, Destine Broker de Asigurare-Reasigurare SRL and Inter Broker de Asigurare SRL (fig. 5)

Fig. 5. Fig. 5. Top 10 insurance brokers by insured premiums, 2018



With regard to future sales prospects (in the medium and long term), the sales depend both on the government policy on the risks to be insured and as well as on the internal policy of the partner insurance and reinsurance companies.

In 2018, the Company recorded increases in the volume of transactions in relation to all partner insurance companies, a trend that we are expecting for 2019.

Client Portfolio.
Dependence

Starting with 2017, the number of clients of Transilvania Broker de Asigurare S.A. has exceeded 1,000,000. For corporate clients, which account for 20 % of the total number of clients, the company's insurance premiums are close to 40 % of the total amount of premiums. Since the Company has a diversified portfolio of clients, there is no dependence on either a single client or a small number of clients, which reduces market risk and gives business resilience and sustainability.

1.4. The assessments of personnel aspects

Relevant information regarding the evolution of personnel at the level of the Company during the period 2017 - 2018 is shown in table no. 9

Table no. 9. Volume and structure of personnel by level of training

Number of employees (at the end of year)	2017	2018
Economists	16	19
Informaticians	1	1
Jurists	3	3
Other professions – long -term higher education	6	7
Other professions – short -term higher education	2	2
Medium Studies (Technical Profile)	0	0
TOTAL	28	32

The Company considers staff as the most important resource for the success of the Company's activity, but also as an important cost item that requires particular attention. The average number of employees increased by 14.3%, while the personnel expenses, which amounted to 2.33 million lei, increased by 2.51%,

remaining 7% lower than the planned level. The staff received vouchers worth 61,660 lei, a value of 7.8% higher than the previous year.

For Transilvania Broker de Asigurare S.A., the added value of the human resource is also reflected in the activity of collaborators - brokers assistants, individuals and legal persons, whose number exceeded in 2018 at 1,800 collaborators . The costs related to the collaborators are primarily reflected in commission expense, whose level grew at a rate, close to that of turnover, respectively by 14%, being with 7% above the planned level.

Throughout 2018, the Company organized information and training events for employees and staff on trends in the market, legislative and organizational news.

There were no conflicting elements in the relationship between managers and employees within the Company.

1.5. Assessment related to the impact of main activity of the Company on the environment

On December 31, 2018, the Company meets the operating conditions provided by current environmental legislation, owning an environmental assessment for this purpose.

1.6. Assessment of the research and development activities

During the reporting period, non-current intangible assets representing expenditures associated with the R & D activity.

1.7. Assessment of the issuer's activity on the risk management

1.7.1. Description of the Company's internal control system

Internal control is one of the key elements of the effective financial reporting process and consists in maintaining an adequate proper control. The internal control system consists of policies and procedures designed to provide the management with reasonable assurance that the entity achieves its objectives.

Within the Company, the internal control systems exist throughout the organization, are updated so that all material risks that have been assessed and are managed by those who undertake the operations associated with these risks could be considered. The internal control is found in the composition of each activity and is formalized through operational working procedures based on job descriptions, which are the instructions for carrying out those activities to which the internal control activities are attached.

Within the Company, the executive management is the instrument for implementing the principles of governance through:

- *The development of an Ethical Code of Conduct that "sets the top tone" within the Company on "Game Rules", including in relations with external partners. The Ethics Code of the Company is relevant in the sense of being well communicated and easy to understand, establishes good behaviour that reflects the organization's business environment as well as ensuring compliance with specific laws and regulations;*
- The existence of mechanisms by which the staff can alert the executive management or the Board of Directors with regard to breaches of the framework of conduct or other dysfunctions without having any reservations about the possible consequences;
- A set of operational, documented and easily accessible operational policies and procedures for all employees, covering the major risk areas and the preparation of internal and external information. The Company clearly establishes and communicates clear policies and procedures that highlight the important tasks that need to be met, the controls in place, and the ethical conduct of the Company to be implemented, and these include major risk areas and the preparation of internal and external financial information;
- *A risk management system, including the necessary and enough resources to identify, evaluate, verify and continuously monitor risks;*
- *An internal control framework that ensures the implementation of an internal control system that masks significant risks and provides reasonable assurance to management on the following:*
 - Compliance with the regulatory and regulatory framework;
 - Ensuring that all transactions are recorded correctly, and the financial statements are accurately prepared;
 - Protecting goods and information;
 - Preventing and detecting frauds and mistakes;
 - The quality of accounting documents and the timely production of reliable information about the financial and management segment.

Within the Company, the risk management is a robust administration system at the organizational and processing level, organized in departments across the Company. The risk management system has been organized by setting up risk registers, analysing and evaluating the internal control system that helps us manage the risks and develop an adequate operational procedures system.

Adapted risk management strategies and assurance of the effectiveness of the proposed internal control framework are part of the Company's overall strategy to maintain risks within the acceptable tolerance threshold to achieve the programmed targets / objectives, assessed, directed, and continually improved through a performance measurement system.

As a result, from monitoring the effectiveness of the control systems, the Board of Directors found, following the conclusions of the internal audit missions and the implementation of the recommendations made by the internal auditors, that:

- The internal control and risk management systems implemented are designed and operated in such a way that the entity's objectives are met with consistency;
- The key risks are identified and managed in an effective way;
- The identified weaknesses expose the entity to a general low residual risk level; management is not required to undertake significant corrective actions or measure.

1.7.2. Description of the issuer's exposure to market, credit, and liquidity risk

Within the economic and financial background, the risk is a component of any activity, being found in the daily agenda of Company's managers. At the level of the economic and financial analysis, in order to be able to analyze and evaluate the risks, they are grouped according to the area of the occurrence: **operating risks, financial risks and insolvency and bankruptcy risks.**

The financial risk is considered by many to be the most important category of risk, especially through the implications for companies' daily business. The financial risk reflects the variability of the Company's results following the change in the financial structure of the enterprise. As the financial structure of the enterprise depends on how to finance the business, it can be said that financing exclusively by equity minimizes this risk class.

The financial risk management is an integral part of the financial planning and control process, subject to strategic and tactical decisions to continuously adapt to continuous changing internal and external conditions. In fact, the nature of financial decisions implies uncertainty. Financial decisions are made on the basis of cash-flows provided by future contracts, which are extremely uncertain. Risk is therefore an inherent component of financial decisions.

The financial risk includes market risk, liquidity risk and credit risk.

a) Market risk (currency risk, interest rate risk, price risk)

Unforeseen changes in interest rate, foreign exchange or price fluctuations affect a Company's financial results.:

➤ *Currency risk*

The Company does not use foreign currency in doing business, as all transactions are carried out on the domestic market. Also, no international trade or other economic relations that would be liable to incur losses due to a change in the exchange rate of the currency between the conclusion of the contract and its maturity were concluded. Therefore, we believe that the Company is not directly exposed to this risk.

➤ *Interest rate risk*

The interest rate risk may materialize in case of funding only from loans, which involves financial charges for interest payable, and these influence the Company's financial profitability. In 2018, the Company did not record interest charges, so the interest rate did not affect the financial result.

The Company is exposed to the interest rate fluctuation risk with the contracting of the investment loan at the end of 2018. The Company will have to anticipate the future rate of interest as a potential increase will rise the cost of the borrowed capital and implicitly the investment costs. The higher the coverage rate is the lower the risk.

Price risk

The price risk is associated with possible changes in the structure and level of the price of goods / services offered on the market by a Company as a result of variations in the price of the resources used. The price risk has as its sources the resources price, the exchange rate and the interest rate. This risk is associated especially with the conclusion of long-term contracts.

As far as the price risk is concerned, the price level is correlated with the cost of resources used to provide services, and contracts run relatively short, so that the Company has a minimum exposure to this risk.

Liquidity risk

The liquidity risk refers to a Company's ability to meet its payment obligations. Liquidity expresses the ability to pay on time the short-term obligations from the available funds.

The general (current) liquidity, expressed as a ratio between current assets and current liabilities, represents the Company's ability to cover its current liabilities on the basis of current assets.

As shown in [table no. 2](#), the general liquidity indicator describes an increasing trend and a comfortable level of ability to honour current payment obligations,

due to the decrease in the assets of the circulating assets at a slower pace than the current debts. Currently, the liquidity risk is minimal.

The management is currently analysing the exposure to liquidity risk. The Company's policy is to maintain enough liquidity to settle the obligations when they become due, as well as to ensure a balance between the debt recovery period and the debt settlement period.

Credit risk. Since the Company collects the value of the services rendered within a relatively short period of time when the services are performed, the receivables are monitored permanently and the prudential limits are observed, the Company's exposure to the risk of non-collecting receivables is reduced. The guarantees offered give greater security and credit risk is minimal. Also, the management performs the debtors' analysis in the process of establishing the credit limits, monitors their behaviour throughout the contract period and, at maturity, assures the collection of the receivables. Otherwise, depending on the reason for non-collection, proceedings to secure a quick cashing, are taken.

1.8. Perspective items

For the future, the Company proposes:

- To continue developing the collaborative network;
- The professional training of new collaborators and the existing network, through courses / debates with specialists from insurance companies, especially on the products we intend to develop this year (life insurance, health insurance, guarantees, agriculture etc.);
- To complete and implement the training platform for our collaborators;
- To continue the marketing strategy in order to increase visibility, to promote the Company;
- Since in 2018 the requirements resulting from the General Regulation on the Protection of Personal Data were implemented into the 24Broker platform, for the year 2019 we have as priority:
 - Implementation of the requirements of Law no. 236/2018 on the distribution of insurance - IDD;
 - Traceability and application of the requirements of Norm no. 20/2018 on the professional training of persons involved in the distribution activity;
 - Adaptation of the activity to the future legal requirements applicable in this area of activity.

2. The issuer's tangible assets

Tangible assets

Following the acquisition of real estate consisting of a land within the built-up area worth 302,432 lei and the construction built on it, in value of 1,395,840 lei, located in Bistrita City, Calea Moldovei nr. 13, jud. Bistrita-Nasaud on the basis of the sale contract no. 5468 / 18.12.2018 approved by the additional acts no. 117 / 07.01.2019 and 609 / 12.02.2019, concluded according to the EGM resolution no. 8 / 06.12.2018 (1), the value of the Company's tangible assets increased from 98,849 to 1,816,081 and the share of this category of assets in total assets increased from 0.8% to 18.4%.

The financing of this acquisition was partially from own sources, supplemented by a financing line for investments as a mortgage loan in value of 1,400,000 lei, according to the same EGM resolution no. 8 / 06.12.2018.

The acquired properties have a registered office with positive effects on the efficiency of organizing and conducting the activity of the Company, the operational costs with the rents and the public image of the Company.

Together with the construction and land, the Company owns technical facilities and machinery in a balance sheet value of 94,435 lei, 49.5% higher than at 31.12.2017, and other installations, equipment and furniture with a balance sheet value of 23,374 lei, with 34, 5% less to the previous exercise.

At the cost value, the items classified as technical installations and machines increased by 83,965 lei, reaching a final balance of 950,010 lei, while the class "Other Installations, Machinery and Furniture" did not change in the direction of increase or decrease value.

Normal wear
and tear

In addition to the newly acquired land and construction, the Company did not record depreciation during the reporting period. Tangible assets such as technical facilities and machinery were depreciated at a rate of 90%, while the normal wear and tear degree of other installations, machinery and furniture reached 72.6%. The management of the Company is considering investments for the renewal of the material base, but does not believe that the degree of wear and tear raises significant problems with its operation or activity.

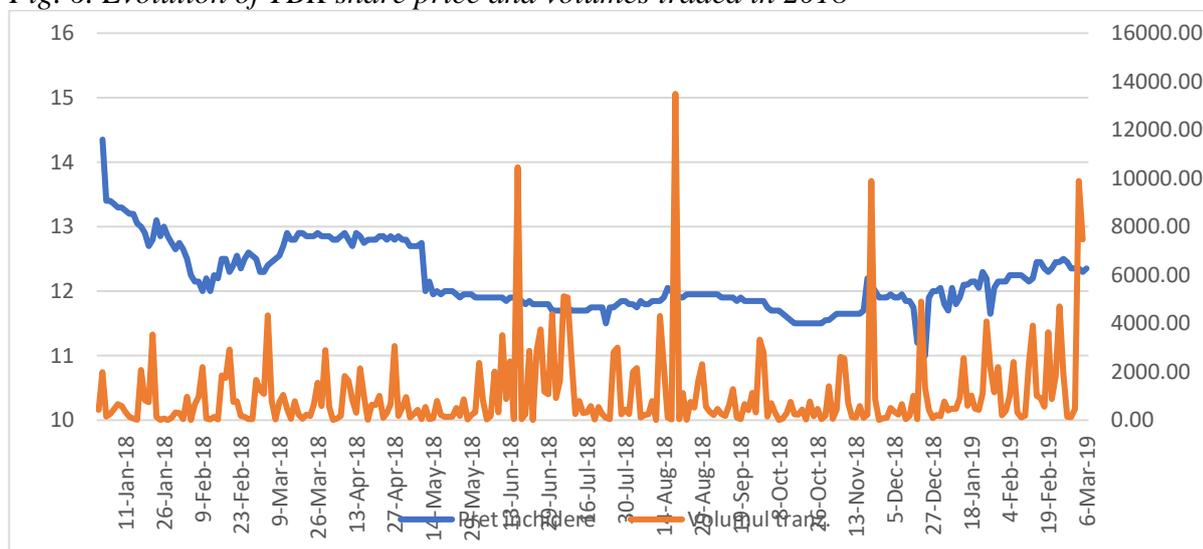
We also mention that there are no problems with the ownership of the Company's tangible assets.

3. Security market issued by the Company

The shares of Transilvania Broker de Asigurare S.A. are available for trading on the Regulated Market of the Bucharest Stock Exchange S.A., the Main segment, the "Standard" category starting on November 2, 2017 under the symbol TBK.

During 2018, the evolution of TBK shares on the Romanian capital market was slightly volatile, especially in the context of the Romanian stock market, which is sensitive to the international economic and financial dynamics and to the Romanian political scene (fig.6.)

Fig. 6. Evolution of TBK share price and volumes traded in 2018



Source: www.bvb.ro

The price of a share varied between a maximum of 14.35 lei reached in early January and a minimum of 11 lei in mid-October, sustained growth trends such as the one from March 5, 2018 to March 13, periods of decline, the longest of which were between 19.09.2018 and 12.10.2018.

The average volume traded per session was 1,112 shares, the average value was 13,468.57, while the average trading price in the period January 1, 2018 - December 31, 2018 was 12.11 lei (table no.10).

Table no. 10 Evolution of the price and liquidity of TBK shares during the period 01.01.2018 – 31.12.2018

Trading TBK shares	Min.	Max.	Medium
Traded volume (shares)	6	13.489	1112
Traded value (lei)	77,1	160.300,15	13.468,57
Closing price (lei / share)	11	14,35	12,11

Source: www.bvb.ro

Beyond the sinuous trajectory of the indicators reflecting the price and liquidity of Transilvania Broker de Asigurare S.A. shares, the position and evolution of the Issuer's capital market is reflected in the level and dynamics of the valuation multiples which report the results of the economic and financial activity of the Company to the investors' (Table no.11).

Table nr. 11 Multiple valuation of listed Company – Transilvania Broker de Asigurare S.A.

Indicator	Formula	January 3 2018	January 3 2019	Variation (%)	Industry Average (int)
PER (price earning ratio)	Price per share / net profit per share	10,53	7,58	-28,02%	19,22
P/BV (price to book value)	Capitalization Stock Exchange / equity value	11,09	6,53	-41,2%	5,13
EPS (earnings per share)	Net income / no. of shares	1,3622	1,5834	+16,2%	Variation YOY: + 9,32%
P/S (price to sales)	Capitalization Stock Exchange / Turnover	0,65	0,48	-26,2%	2,61
DY (dividend yield)	Annual dividend per share / Share price	7,25%			1,79%

Source: Transilvania Broker de Asigurare S.A., www.zacks.com

The valuation indicators show a generally positive development from the perspective of the investor. The period of return on investment in TBK shares of Company profits, assuming constant profit, declined from 10.53 years to 7.58 years, 36% less than the average value of the indicator for the BET index.

The 42% increase in equity, accompanied by a decrease in the share price, reduced the value of the P / BV indicator, but its level gives the investor the first importance over the book value of the share, especially in the context in which, for the insurance industry and international insurance brokerage, the average value of the indicator for the last five years is 4.66.

The net profit per share increased by 16% and the investors are willing to pay 48 lei for every 100 lei.

At the time the report was drawn up, a TBK share was quoted on the regulated market of BSE at 12.35 lei and the stock market capitalization was 30.875.000 lei.

Dividend policy

Expressing the dividend policy of Transilvania Broker de Asigurare S.A., the dividend per share increased from 1.04 lei for the financial year 2017 to 1.28 for the year ended 31.12.2018. Dividend yield (DY) has therefore increased from 7.25% for early 2018 to 8.92% for early 2019.

The dividends distributed by the OGM resolution in the results of the last financial years are as follows:

Table no. 12. Number of dividends granted over the last three years

Related exercise:	2016	2017	Proposal 2018
Dividends value (lei)	2.873.978,17	2.596.791	3.200.000

The Company undertakes to comply unconditionally with the Corporate Governance Principles applicable to issuers whose securities are traded on the regulated market. The Company has adopted a dividend policy as a set of directives relating to the distribution of net profit, which the Company declares to comply with, stating the following relevant principles with reference to dividend policy:

- (1) The Company acknowledges the rights of shareholders to be remunerated in the form of dividends as a form of participation in the net profits earned from operating as well as an expression of the remuneration of the capital invested in the Company;
- (2) in substantiating the proposal on the distribution of net profit during a financial year, the Board of Directors of the Company will consider a balanced distribution of the net profit between the shareholder's dividend and the share held at the disposal of the Company for investment in accordance with the principles of prudent management and in order to ensure the sustainable development of the Company in the medium and long term;
- (3) Dividends due to the Company's shareholders will be distributed exclusively from the net profit for a financial year acknowledged on the basis of applicable accounting regulations and audited under the law, in compliance with other relevant legal provisions in the matter;
- (4) The distribution of dividends due to shareholders can be done by cash payment or by giving free of charge shares, following the capitalization of the net profits accumulated by the Company. In any event, the proposal for distribution of dividends will be made by the Board of Directors of the Company by issuing financial statements in this respect to investors. The decision regarding the approval of the distribution of dividends belongs to GMS, adopted according to the law.

[the dividend policy](#) is published on the Company's official website.

Acquisition of
own shares

During the reporting period the Company did not carry out recovery programs or public offers for the purchase of its own shares.

4. Corporate governance items

4.1. The issuer's management – corporate governance structures

Transilvania Broker de Asigurare is organized as a joint-stock Company in a unitary system, the management of which is provided by a Board of Directors consisting of 3 members appointed by the OGMS for a four-year term, which is subordinated to the General Shareholders' Meeting of the Company and which delegates the executive management of the Company's directors. The Management Board shall operate in accordance

with the Council Regulation and shall carry out the tasks conferred on it by statutory documents, mandate contracts and legislative provisions.

At the time of the issue of this Report, the Company is unaware of the existence of agreements, arrangements or family relationships between members of the Board of Directors and other persons for whom they have been appointed as directors. At the same time, the Company is unaware of the existence of litigation or administrative proceedings against the members of the Board of Directors or executive management in connection with their activity within the Company or regarding the ability of that person to perform his/her duties within the Company.

Board of directors

During the financial year 2018, the Board of Directors met in a number of sessions for analyzing and discussing issues of major importance for the Company, carrying out with diligence all the acts necessary for accomplishing the object of activity of the Company and the responsibilities assumed under the contract mandate. The activity of the board of directors was not evaluated under the chairmanship of the president, to be subject to the analysis, evaluation and approval of the General Meeting of Shareholders.

The members of the Board of Directors of the Company during the reporting period were:

- Niculae Dan – *Chairman and General Manager*. With an experience in insurance and financial banking for more than 12 years, Mr. Niculae Dan exerts executive positions within Transylvania Broker de Asigurare S.A. starting with 2010 and began his mandate as chairman of Board of Director in June 2017. He is a shareholder of the Company, holding 764,732 shares representing 30.59% of its share capital and voting rights in the GMS.
- Țuică Gabriel-Alexandru – *Non-executive member* of the Board of Directors and member of the Audit Committee starting with June 2017, he has work experience as a broker / insurance agent for 14 years.
- Deneș Daniela Tasia – *Independent member* of the Board of Directors and Chairman of the Audit Committee, with a work experience for more than 20 years in the financial accounting field and with certified expertise in accounting, financial audit, confirmed tax consultancy confirmed over the last 10 years of activity, as well as judiciary tax expertise starting in 2013.

CVs of these three BD members may be accessed on the [Company's website](#).

The amount of the total revenues of the members of the Board of Directors for the financial year 2018 in relation to the issuer was 235,238 lei, in accordance with [management remuneration policy](#), available on the Company's website.

Pursuant to the applicable legal provisions, an **Audit Committee** is set up within the structure of the Board of Directors of the Company, with a consultative role, consisting of two members, as follows:

- Dna. Denes Daniela Tasia, Chairman;
- Dl. Tuica Gabriel Alexandru, member.

The Audit Committee consists only of non-executive directors, and at least one member of the Committee is an independent non-executive director. One of the members of the Committee has experience in applying accounting principles or financial audit.

The Audit Committee has the role of assisting the Board of Directors in the performance of its duties on the internal audit line and a consultative function regarding the Company's strategy and policy related to the internal control system, internal audit and external audit, as well as controlling the way in which the significant risks are administered.

The Audit Committee has the Purpose:

- supervising the audit and risk aspects at the Company level;
- verifying and controlling the adequacy, independence and efficiency of internal audit;
- analysing and verifying the fairness of the Company's financial statements, as well as other important reports;
- monitoring and verifying the independence, objectivity and efficiency of the external auditor;
- closely monitor the Company's risk profile and major exposures and, as appropriate, provide relevant information to the Board of Directors on a regular basis.

The Audit Committee has the authority to direct or authorize investigations that are deemed necessary in relation to matters related to its area of responsibility.

Based on the verifications, discussions, findings and corrective actions that were presented in the Audit Committee's Report to the Board of Directors, the Audit Committee recommended the management, and the management approved that the audited financial statements should be included in the Annual Report the financial year ended 31.12.2018.

Executive Management is appointed by the Board of Directors of the Company and informs the Board of Directors on the work done between its periodic meetings. At the same time, the executive management is authorized to lead and coordinate the Company's daily business and is entrusted with the ability to engage the Company's liability as an insurance broker

The executive management of the Company's business is provided by:

- General Manager, Mr. Niculae Dan who is also the Chairman of the Board of Directors); and
- Executive Manager, Mr. Coțiac Ioan. He is the shareholder of Transilvania Broker de Asigurare SA, holding a number of 906 shares.

The members of the executive management have the competencies and responsibilities according to the job description. All persons belonging to the Company's executive management are committed to permanent contract. The persons who are part of the executive management or the Board of Directors of the Company have not been involved in litigation or administrative proceedings related to their activity within the issuer and did not mention any agreement, understanding or family relationship with another person with decision-making powers in the Company.

CVs of these two Executive Managers may be accessed on the [Company's website](#).

For the financial year 2018, the total amount of executive management revenues in relation to the issuer was 398,653 lei, according to the [management remuneration policy](#), available on the Company's website.

4.2. Statement of compliance with the Corporate Governance Code agreed by the BSE

The Company adheres to and applies voluntarily the Corporate Governance Principles set forth in the Corporate Governance Code of the BSE - applicable to issuers admitted to trading on the regulated market of the Bucharest Stock Exchange.

In this respect, the Statement of Compliance with the Corporate Governance Principles stated in the Corporate Governance Code of the BSE - applicable to issuers admitted to trading on the regulated market of the Bucharest Stock Exchange.

Cod e	Provisions to be complied with	Totally complied with	Partially complied with	Do not comply with	Non-compliance reason
Section A - Responsibilities of the Board of Directors (Council)					
A1.	The Company must have an Internal Council Regulation (Corporate Governance Regulation) that includes the terms of reference / responsibilities of the Board and key management functions of the Company. The Regulation will define a clear policy on the delegation of competences, which will include a formal list of issues reserved for the Council Decision and a clear separation of responsibilities between the Council and the Executive Board.	x			
A2.	Conflict of interest management at Council level should be provided for, in the Corporate Governance Regulation. In this respect, the Council members must notify the Council of any conflicts of interest that have arisen / may arise. At the same time, members of the Council should refrain from participating in discussions and voting for the adoption of a resolution on the matter that may rise a conflict of interest.	x			
A3	The Council must consist of at least five members.			x	First BA

A4.	Most Council members must be non-executive, and at least one member must be independent. Each independent member of the Council at the time of his/her nomination for the election / re-election, and when any change occurs in his/her statute, must submit a statement setting out the elements taken into account for the purpose of determining his / her independence. When determining independence, the following points will be taken into account:	x			
A4.1.	He/she is not the General Manager of the Company or of a Company controlled by it and has not held such a position in the last five years.	x			
A4.2.	He/she is not an employee of the Company or a Company controlled by it and has not held such a position in the last five years.	x			
A4.3.	He/she does not receive or receive any additional remuneration or other benefits from the Company, or a Company controlled by it, other than those of non-executive managers.	x			
A4.4.	He/she is not or has not been an employee, has or has not had a contractual relationship with a significant shareholder of the Company during the previous year, controlling more than 10% of the voting rights or a Company controlled by it.	x			
A4.5.	He/she has not and did not have a business or professional relationship, in the past year, with the Company or a Company controlled by it either directly or as a client, partner, shareholder, member of the Board, general / executive manager or employee of a Company if, by virtue of its substantial nature, that relationship is likely to affect its objectivity.	x			
A4.6.	He/she is not and has not been for the past three years the external or internal auditor or partner or associate employee of the current external financial auditor or the internal auditor of the Company or a Company controlled by it.	x			
A.4.7	He/she is not the General Manager of another Company where another General Manager of the Company is a non-executive administrator.	x			
A.4.8	He/she has not been a non-executive manager for more than twelve years.	x			
A.4.9	He/she has no family relationship with a person in the situations mentioned in points A.4.1. and A.4.4.	x			
A5.	Any other professional commitments of Council members, including executive or non-executive board members in other companies (excluding Company subsidiaries) and non-profit institutions, will be brought to the attention of the Council prior to the appointment and during the term of office.	x			
A6.	Each member of the Council must report to the Council on any report / relationship with a shareholder directly or indirectly owning shares representing more than 5% of all voting rights. This obligation refers to any kind of report / relationship that may affect the member's position on matters decided by the Council.	x			
A7.	The Company must designate a Council secretary responsible for supporting the work of the Council.	x			
A8.	The Corporate Governance Statement will inform whether a Council assessment has taken place under the chairmanship of the President and, if so, will summarize the key measures and the resulting changes.	x			
A9.	The corporate governance statement should contain information on the number of Council and committee meetings over the past year, the participation of administrators (in person and in absentia) and a report by the Council on their activities.	x			
A10.	The corporate governance statement should include information on the exact number of independent members of the Board of Directors or the Supervisory Board.	x			

Section B - Risk Management and Internal Control System					
B1.	The Council should set up an audit committee in which at least one member should be a non-executive. Most members, including the Chairman, must have proven that they have appropriate qualifications relevant to the functions and responsibilities of the Committee. At least one member of the audit committee must have proven and appropriate auditing or accounting experience.	x			
B2.	The chairman of the audit committee shall be an independent non-executive member.	x			
B3.	Within its responsibilities, the audit committee must carry out an annual assessment of the internal control system. The assessment should take into account the effectiveness and scope of the internal audit function, the adequacy of the risk management and internal control reports submitted to the Council's audit committee, the promptness and effectiveness with which executive management addresses the deficiencies or weaknesses identified in the audit internal and the submission of relevant reports to the Council.	x			
B4.	The audit committee should assess the conflicts of interest in relation to the transactions of the Company and its subsidiaries with affiliated parties.	x			
B5.	The audit committee should assess the effectiveness of the internal control system and risk management system.	x			
B6.	The Audit Committee should monitor the application of generally accepted legal standards and internal audit standards. The Audit Committee should receive and evaluate internal audit team reports.	x			
B7.	Reports or analyses initiated by the Committee Audit should be followed by regular reports (at least annually) or ad hoc to be submitted to the Council.	x			
B8.	No shareholder may be granted preferential treatment over other shareholders in connection with transactions and agreements entered into by the Company with shareholders and their affiliates.	x			
B9.	The Council will adopt a policy to ensure that any transaction of the Company with any of the companies with which it has close relationships (affiliated / linked) whose value is equal to or greater than 5% of the net assets of the Company financial report) is approved by the Council following a binding opinion of the Board's Audit Committee and properly disclosed to shareholders and potential investors to the extent that such transactions fall within the category of events subject to the reporting requirements.	x			
B10.	Internal auditing should be performed by a separate division from the point of view of the organizational structure (Internal Audit Department) within the Company or through the contracted services provided by an independent entity (audit firm). The internal audit or audit firm will report directly to the General manager and, as the case may be, to the Council.	x			
Section C – the correct reward and motivation					
C1.	The Company will publish a remuneration policy on its website and will publish in the Annual Report a section that will include the total revenue of Council and of the General Manager and the total amount of any bonuses or any variable compensation, including key assumptions and principles for calculating them.	x			
Section D - Adding Value through Relationship with Investors					

D1.	The Company must organize an Investor Relations Service made public by the responsible person. In addition to the information required by law, the Company must include on its website a section dedicated to Investor Relations, in Romanian and English, which will present all relevant information of interest to investors, including:	x			
D1.1	The main regulations of the Company, in particular the Articles of Incorporation and the internal regulations of the statutory bodies.	x			
D1.2	CVs of the members of statutory bodies.	x			
D1.3	Current reports and periodical reports.	x			
D1.4	Information on general shareholders' meetings: the agenda and the related materials; decisions of general assemblies.	x			
D1.5	Information on corporate events such as the payment of dividends or other events that result in obtaining or limitations on the rights of a shareholder, including deadlines and the principles of such operations.	x			
D1.6	The Company must have a Investor Relations function and include in the section dedicated to this function on the Company's website the names and contact details of a person who is capable of providing appropriate information upon request.	x			
D1.7	Company presentations (investor presentations, quarterly results), financial statements (quarterly, half-yearly, annual), audit reports, and annual reports.	x			
D2.	The Company must adopt a dividend policy proposed by the General manager or Directorate and adopted by the Council as a set of directives / principles relating to the division of net profit. The dividend policy must be published on the Company's website.	x			
D3.	The Company needs to adopt a policy on forecasts, indicating whether or not they will be provided. Forecasts are quantified conclusions of studies aimed at determining the overall impact of a list of factors relating to a future period (hypotheses). The policy must specify the frequency, the period considered and the content of the forecast. If published, the forecasts will be part of the annual, half-yearly or quarterly reports. The forecasting policy will be published on the Company's website	x			
D4.	The Company must set the date and place of a general meeting so as to enable as many shareholders as possible to participate. The general shareholders' meetings should not limit shareholders' participation in general meetings and the exercise of their rights. Changes to the rules will come into force at the earliest, starting with the next shareholders meeting.	x			
D5.	External auditors will be present at the general shareholders' meeting when their reports are presented at these meetings.	x			
D6.	The Board will give a brief assessment to the Annual General Meeting of Shareholders on the internal control and risk management systems as well as opinions on matters subject to the decision of the general meeting.	x			
D7.	Any specialist, consultant, expert or financial analyst may attend the shareholders' meeting upon a prior invitation from the Board. Accredited journalists may also participate in the general meeting of shareholders, unless the Chairman of the Board decides otherwise.	x			
D8.	The financial reports should include information in both Romanian and English languages on the main factors affecting	x			

	changes in sales, operating profit, net profit or any other relevant indicator.				
D6.	The Company must hold at least two meetings / telephone conferences with analysts and investors each year. The information presented on these occasions will be published in the Investor Relations section of the Company's website at the time of that meeting / telephone conference.	x			
D7.	If the Company supports different forms of artistic and cultural events, sport activities, educational or scientific activities and considers that their impact on the innovative character and the competitiveness of the Company is part of its development mission and strategy, it will publish the policy regarding its activity in this field	x			

Other aspects of corporate governance are set out in the Company's Corporate Governance Rules published on its website.

5. Economic and financial situation

The analysis of the evolution of the economic and financial situation of the Company over the last three years refers to the following aspects:

Financial position

ASSETS

Indicators of the financial position (values are expressed in lei currency)	2016 December 31	2017 December 31	2018 December 31	Share in total asset (%), la 31.12.2018
Fixed assets	230.738	129.878	1.856.788	18,81%
Intangible assets	21.928	15.954	18.045	0,18%
Tangible assets	183.018	98.849	1.816.081	18,4%
Financial assets	25.792	15.075	22.662	0,23%
Current assets	6.574.889	11.821.715	8.003.379	81,08%
Stocks	-	942	0	0%
Receivables, of which:	2.986.827	4.554.909	4.111.730	41,66%
Receivables from brokerage	658.615	372.013	836.446	
Receivables – various debtors	1.978.212	3.831.490	2.619.277	
Other receivables	350.000	351.406	656.007	
Cash	3.588.062	7.265.864	3.891.649	39,42%
Expenses registered in advance	36.489	6.656	11.117	0,11%
TOTAL ASSETS	6.842.116	11.958.249	9.871.284	100%

➤ During the reporting period, the *Current Assets*, the most important asset, decreased both in absolute and relative terms. Their decrease by 3.82 million lei (-32.3%) resulted in the decrease of the current assets ratio from 98.9% in 2017 to 81.08% at the end of 2018, in favour of fixed assets.

- The decrease in the value of current assets is the result of the significant decrease both in receivables and in cash.
- The decrease of receivables by 9.73% compared to the reference period is determined by the reduction by 1.21 million lei of other receivable - various debtors. Brokerage receivables, which represent brokerage commissions with a maturity of up to 30 days, show at the reporting date a value of 124.84% higher compared to 31.12.2017, reflecting an increased activity of brokerage in the last period of 2018 compared to the same period of 2017.
- At the end of the reporting period, receivables represent 51.38% of current assets, 12.84 pp. more than the share reported at the end of 2017.
- As a result, mainly because of the partial financing of real estate acquisition and dividend payment, the cash availability decreased by 3.374 million lei (-46.44%), their share in total assets decreasing, from 60.76% to 31.12.2017, to 39.42% at 31.12.201.
- During the reporting period, the value of Fixed Assets increased from 130 thousand lei to 1.86 million lei, following the purchase of buildings with a contractual value of 1,698,272 lei, consisting of office building and related land as the registered office, according to the AGM decision from December 6, 2018.
- An increase of 50% was also recorded in the case of financial assets, with a limited impact on the value of non-current assets, given their low share in total fixed assets.
- The increase in the value of the fixed assets (+1.73 million lei), associated with the decrease in the value of the current assets (-3.82 million lei), led to the decrease of the total assets of the Company by 17.45%, from 11.96 million lei to 9.87 lei.

EQUITY AND LIABILITIES

Financial position indicators (all values are expressed in LEI currency)	2016 31 December	2017 31 December	2018 31 December	Share in total liabilities (%) , on 31.12.2018
Current liabilities	3.295.439	8.723.850	4.078.759	41,32%
Bank loans			200.400	2,03%
Brokerage debts	2.355.489	5.044.351	3.315.470	33,59%
Other short-term debts	939.950	3.679.499	562.889	5,70%
Non-current liabilities	52.127	0	1.199.600	12,15%
Long term loans	52.127	0	1.199.600	12,15%

Total liabilities	3.347.566	8.723.850	5.278.359	53,47%
Equity	500.000	500.000	500.000	5,07%
Reserves of which:	30.000	100.000	100.000	1,01%
Legal reserves	30.000	100.000	100.000	1,01%
Reported result, of which:	(62.131)	(-701.223)	34.399	0,35%
- from the correction of accounting errors	(62.131)	(-701.223)	-	-
- Undistributed profit		-	34.399	0,35%
The result of the period	3.051.681	3.405.622	3.958.526	40,1%
Profit distribution	25.000	70.000	0	-
Total equities	3.494.550	3.234.399	4.592.925	46,53%
TOTAL EQUITY AND LIABILITIES	6.842.116	11.958.249	9.871.284	100%

➤ *Total liabilities* decreased by 3.45 million lei during the analysis period compared to the reference period (-39.5%). On 31.12.2018, short-term liabilities recorded a value of 84.7% lower than at 31.12.2017, while the value of long-term liabilities was by 1.2 million lei higher than in the reference period.

➤ The decrease in the current liabilities position (-84.7%) was due to short-term debts related to the intermediary activity and to other current liabilities, respectively:

1. Current liabilities related to brokerage activity reported values 34.27% lower than in 2017 (-1.73 million lei).
2. The decrease of "Other short-term liabilities" arises from the extinction of the dividend payment obligations, amounting to 2.88 million lei at the end of 2017. During 2018, the Company paid dividends for the years 2016 and 2017 in total value of 5.47 million lei.
3. The other categories of short-term liabilities decreased by 30.6% (-246 thousand lei), reaching 558 thousand lei as at 31.12.2018.

➤ Non-current liabilities as of 31.12.2018 reflected the contracting of a long-term bank loan in value of 1.4 million lei for the partial financing of real estate acquisition, according to the EGM resolution from December 6, 2018. Of its value, 200, 4 thousand lei represent obligations due within one year. As a result, long-term liabilities accounted for 22.73% of Total Liabilities, 19.34% of long-term capital and 11.67% of Total Liabilities at the end of the reporting period.

Besides this bank loan, the Company has no other long-term liability.

➤ The evolution, relatively in the mirror, of current liabilities (-3.12 mil. lei) and non-current liabilities (+1.2 mil. lei) reflects a prudent management policy

focusing on low risk exposure by maintaining a level of relatively low indebtedness and net treasury enough for current asset financing needs.

- *Social capital and reserves*, in shares of 10.9% and 2.2% of equity respectively, did not change in 2018 compared to 2017.
- *The result of the exercise*, in value of 3.96 million lei on 31.12.2018, is by 552.9 thousand lei higher than that reported one for the year 2017 contributing in proportion of 86.2% to the equity, 68.34% to the long-term capital and of 40.1% for the Total Liabilities.
- Given the decrease of current liabilities by 4.65 mil., the increase of non-current liabilities by 1.2 mil. and equity by 1.36 mil. lei, the total liabilities decreased by 2.09 mil. lei, respectively with -17.45%.
- A brief analysis of the financial balance of the Company highlights the availability of significant permanent resources to cover the various current financing needs. The working capital increased from 3.1 million in 2017 to 3.94 million in 2018 (+ 26.77%) as the positive change variation in absolute value of the long-term capital exceeded that of the fixed assets. The net treasury remains positive, as of 3.9 million lei at the end of the financial year 2018.

Analysis of
financial
performance

PROFIT AND LOSS ACCOUNT

Indicators of the financial position (values are expressed in lei currency)	2016 31 December	2017 31 December	2018 31 December	Share in income/related expense (%), 2018
Operating incomes, of which:	62.497.215	53.906.286	62.144.821	100%
Incomes from brokerage activity	62.492.184	53.835.203	62.121.897	99,96%
Incomes from subventions and other incomes from business	5.031	71.083	22.924	0,04%
Operating expenses, of which:	58.884.504	49.931.129	57.484.914	100%
Expenditures with commissions due to broker agents	53.991.987	45.544.380	51.905.798	90,29%
Expenditures of services provided by third parties	1.705.856	1.273.722	2.183.280	3,8%
Expenditures of material nature as consumables, inventory objects	151.313	131.427	135.666	0,24%
Expenses with other taxes, fees and similar payments	188.271	173.037	80.113	0,14%
Personnel expenditures	2.044.433	2.270.043	2.327.041	4,05%
Depreciation expenditures	174.076	135.930	76.591	0,13%
Other operating expenses	628.568	402.590	776.425	1,35%

RESULTS FROM OPERATION	3.612.711	3.975.157	4.659.907	-
Financial income	2.659	2.692	17.753	-
Financial expenses	14.549	2.539	0	-
FINANCILA RESULT	(11.890)	153	17.753	-
GROSS RESULT	3.600.821	3.975.310	4.677.660	-
Profit tax	549.140	569.688	719.134	-
NET RESULT	3.051.681	3.405.622	3.958.526	-

➤ Income from brokerage activity, which is identified with net turnover and represents 99.96% of total operating income, increased by 15.39% as compared to the previous year, due to the increase in revenues from the negotiation of insurance contracts (+ RON 8.34 mil lei).

➤ Other operating income decreased by 67.29%, reaching 22.9 thousand lei at the end of 2018.

➤ As a result, the operating income registered an increase by 15.28% compared to 2018 (+ 8.24 million lei)

➤ The value of total operating expenses increased by 7.55 million lei, mainly on commission expenses due to brokers' agents (+6.36 million lei), other expenses on services rendered by third parties (+ 910 thousand lei) , as well as the value adjustments and provisions set up at the receivables level (+478 thousand lei).

➤ at the end of the financial year 2018, operating profit was 4.66 mil. lei 17.23% higher than in the reference period.

➤ During reporting period, interest income increased 6.8 times to the value of 17.753 lei, resulting in a positive financial result of 17.8 thousand lei.

➤ The positive dynamics of the operating result led to the increase of the gross profit of the exercise by 702 thousand lei, representing an increase of 17.67% compared to 2017. After deducting the profit tax expense, the entity obtained a net profit of 3, 96 million lei, up 16.24% compared to the reference period

6. Disputes

According to the provisions of the ASF Regulation no. 5/2018 on Issuers of Financial Instruments and Market Operations and of EU Regulation no. 596/2014 on market abuse, the company promptly reported, throughout the financial year, its involvement in the various disputes relating to the reporting period.

The Management of the Company carries out periodic analyzes of the status of all ongoing litigation and, on the basis of consultations with lawyers contracted and with the Legal Service, decides on the need to recognize provisions or to present them as contingent liabilities. In assessing the situation of disputes, it

was pointed out that they will not have a significant impact on the operations and the financial position of the Company.

Following analyzes of their analysis and based on consultations with contracted lawyers and the Legal Service, the management of the company decided on the need to recognize provisions or to present them as contingent liabilities. As a result of the analysis of the litigation situation, all necessary adjustments were made in the accounts and the amount of 2,117,832.72 lei demanded in the dispute with Asirom Vienna Insurance Group SA was presented in the notes to the financial statements as a contingent liability, , in the first instance, the process was won by Transilvania Insurance Broker SA also, for the amount of 131,007.27 lei there were provision for impairment of receivables.

Chairman of the Board of Directors

Niculae Dan



Transilvania Broker[®]
BROKER DE ASIGURARE

**TRANSILVANIA BROKER DE
ASIGURARE S.A.**

INDIVIDUAL ANNUAL FINANCIAL STATEMENTS

**on and for financial year ended on December
31, 2018**

**drawn up in accordance with Regulation
FSA 36/2015, for the approval of the
Accounting Regulations on the individual
annual financial statements and the
consolidated annual financial statements
applicable to insurance and/or reinsurance
brokers**

CONTENTS:	Page
Individual annual financial statements	
Balance sheet	3 - 5
Profit and loss account	6 - 7
Statement of changes in equity	8 - 9
The cash flow statement	10 - 11
Explanatory notes on individual annual financial statements	12 - 32

TRANSILVANIA BROKER DE ASIGURARE S.A.**Balance sheet****For fiscal year ended on December 31, 2018***(all amounts are expressed in Lei (RON) unless otherwise stated)***Balance sheet on December 31, 2018**

Item name	No .	Balance on:	
		01.01.2018	31.12.2018
A. FIXED ASSETS			
I. INTANGIBLE ASSETS			
1. Formation expenses	1	0	0
2. Development costs	2	0	0
3. Concessions, patents, licenses, trademarks, rights and similar assets, if they have been purchased for consideration	3	15.954	18.045
4. Goodwill	4	0	0
5. Advances for intangible assets	5	0	0
TOTAL (rd. 01 la 05)	6	15.954	18.045
II. TANGIBLE ASSETS			
1. Land and buildings	7	0	1.698.272
2. Technical installations and machines	8	63.188	94.435
3. Other installations, machinery and furniture	9	35.661	23.373
4. Advances and tangible assets in progress	10	0	0
TOTAL (rd. 07 la 10)	11	98.849	1.816.080
III. FINANCIAL FIXED ASSETS			
1. Shares held in affiliated entities	12	0	0
2. Loans granted to affiliated entities	13	0	0
3. Shares held in affiliated entities and jointly controlled entities	14	0	0
4. Loans held in affiliated entities and jointly controlled entities	15	0	0
5. Investments held as fixed assets	16	0	0
6. Other loans and bonds	17	15.075	22.662
TOTAL (rd. 12 la 17)	18	15.075	22.662
FIXED ASSETS - TOTAL (rd.06 + 11 + 18)	19	129.878	1.856.788
B. CURRENT ASSETS			
I. STOCKS			
1. Consumables and other current assets such as stocks	20	0	0
2. Advance payments for stock purchases	21	942	0
TOTAL (rd. 20 + 21)	22	942	0
II. RECEIVABLES			
1. Receivables related to brokerage activity	23	372.013	836.446
2. Amounts to be collected from affiliated entities	24	0	0
3. Amounts to be collected from the associated and jointly controlled entities	25	0	0
4. Other receivables	26	4.182.897	3.275.283
5. Receivables on subscribed and unpaid capital	27	0	0
TOTAL (rd. 23 la 27)	28	4.554.909	4.111.729
III. SHORT-TERM INVESTMENTS			
1. Shares held in affiliated entities	29	0	0
2. Other short-term investments	30	0	0
TOTAL (rd. 29 la 30)	31	0	0
IV. CASH AND BANK ACCOUNT	32	7.265.864	3.891.649

TRANSILVANIA BROKER DE ASIGURARE S.A.
Balance sheet
For fiscal year ended on December 31, 2018
(all amounts are expressed in Lei (RON) unless otherwise stated)

CURRENT ACTIVITIES - TOTAL (rd.22 + 28 + 31 + 32)	33	11.821.715	8.003.379
C. PREPAYMENTS	34	6.656	11.117
D. DEBTS: AMOUNTS TO BE PAID UP TO AN YEAR			
1. Debenture loans, showing convertible loans separately	35	0	0
2. Amounts owed to credit institutions	36	0	200.400
3. Debts related to brokerage activity	37	5.044.351	3.315.470
4. Amounts due to affiliated entities	38	0	0
5. Amounts owed to associates and jointly controlled entities	39	0	0
6. Other debts, including tax and social security debts	40	3.679.499	562.887
TOTAL (rd. 35 la 40)	41	8.723.850	4.078.757
E. NET CURRENT ACCOUNTS/NET CURRENT DEBTS (rd. 33 + 34-41-56)	42	3.104.521	3.935.738
F. TOTAL ASSETS MINUS CURRENT DEBTS (rd. 19 + 42-55)	43	3.234.398	5.792.525
G. DEBTS: AMOUNTS TO BE PAID DURING A PERIOD MORE THAN AN YEAR			
1. Debenture loans, showing convertible loans separately	44	0	0
2. Amounts owed to credit institutions	45	0	1.199.600
3. Debts related to brokerage activity	46	0	0
4. Amounts due to affiliated entities	47	0	0
5. Amounts owed to associates and jointly controlled entities	48	0	0
6. Other debts, including tax and social security debts	49	0	0
TOTAL (rd. 44 la 49)	50	0	1.199.600
H. PROVISIONS			
1. Provisions for pensions and similar obligations	51	0	0
2. Provisions for taxation	52	0	0
3. Other provisions	53	0	0
TOTAL (rd. 51 la 53)	54	0	0
I. INCOME IN ADVANCE			
1. Subsidies	55	0	0
2. Income collected in advance	56	0	0
3. Negative goodwill	57	0	0
TOTAL (rd. 55 + 56 + 57)	58	0	0
J. CAPITAL AND RESERVES			
I. CAPITAL (rd. 60 + 61 + 62 + 63)	59	500.000	500.000
1. Paid subscribed capital	60	500.000	500.000
2. Unpaid subscribed capital	61	0	0
3. Items similar to social capital	62	0	0
4. Other items of equity	63	0	0
II. SHARE PREMIUMS	64	0	0
III. REVALUATION RESERVES	65	0	0
IV. RESERVES (rd. 67 + 68 + 69)	66	100.000	100.000
1. Legal reserves	67	100.000	100.000
2. Statutory or contractual reserves	68	0	0

TRANSILVANIA BROKER DE ASIGURARE S.A.**Balance sheet****For fiscal year ended on December 31, 2018***(all amounts are expressed in Lei (RON) unless otherwise stated)*

3. Other reserves		69	0	0
Own shares		70	0	0
Earnings related to equity instruments		71	0	0
Losses related to equity instruments		72	0	0
V. PROFIT OR LOSS	SOLD C	73	0	34.399
REPORTED	SOLD D	74	701.223	0
VI. PROFIT OR LOSS	SOLD C	75	3.405.622	3.958.526
FINANCIAL EXERCISE	SOLD D	76	0	0
Distribution of profit		77	70.000	0
EQUITIES - TOTAL (rd. 59 + 64 + 65 + 66 - 70 + 71 - 72 + 73 - 74 + 75 - 76 - 77)		78	3.234.399	4.592.925

The financial statements were authorized by the Board of Directors on March 20, 2019 for the approval of the GMS.

Chairman of the Board of Directors,
Mr. Niculae Dan
Signature _____

Drafted,
Mrs. Pârțiu Vasilichi Oana
Head of accounting service
Signature _____

TRANSILVANIA BROKER DE ASIGURARE S.A.
PROFIT AND LOSS ACCOUNT
for the financial year ended December 31, 2018
(all amounts are expressed in Lei (RON) unless otherwise stated)

PROFIT AND LOSS ACCOUNT
on December 31, 2018

Indicator name	No.	Achievements related to the period	
		previous 31.12.2017	current 31.12.2018
1. Income from brokerage activity (rd. 02+05+06+07+08):	1	53.835.203	62.121.897
a) negotiation of insurance and reinsurance contracts (03 + 04) of which:	2	53.726.933	62.064.257
a.1) negotiating insurance contracts	3	53.726.933	62.064.257
a.2) negotiating reinsurance contracts	4	0	0
b) performing risk inspections	5	0	0
c) settlement in case of damages	6	0	0
d) damages commission	7	0	0
e) other activities related to the object of activity	8	108.270	57.640
2. Commercial discounts granted	9	0	0
3. Incomes from subsidies for operating activities	10	1.000	0
4. Other operating incomes	11	70.083	22.924
of which: incomes from negative goodwill	12	0	0
5. Income from the revaluation of intangible assets	13	0	0
OPERATING INCOMES - TOTAL (rd.1 - 9 + 10 + 11 + 13)	14	53.906.286	62.144.821
6. a) Expenditure on services provided by third parties of which:	15	1.273.723	2.183.280
Expenses with collaborators	16	0	0
b) Expenditure on consumables and inventory items	17	131.427	135.666
7. Trade discounts received	18	0	0
8. Expenses with other taxes, duties and similar charges, of which, the operating fee	19	173.037	80.113
	20	121.007	62.120
9. Staff costs (rd. 22+23)	21	2.270.043	2.327.041
a) Salaries and allowances	22	1.828.079	2.260.883
b) Social security and social protection expenditures	23	441.964	66.158
10. Expenditure on environmental protection	24	0	0
11. Expenditures with the revaluation of intangible assets	25	0	0
12. Expenditure on calamities and other similar events	26	0	0
13. Expenditure on fees due to brokerage assistants	27	45.544.380	51.905.798
14. Value adjustments on tangible assets and intangible assets (rd. 29-30)	28	135.930	76.591
a) Expenditures	29	135.930	76.591
b) Incomes	30	0	0
15. Value adjustments for current assets (rd. 32-33)	31	126.675	569.039
a) Expenditures	32	126.675	604.524
b) Incomes	33	0	35.485
16. Other operating expenses (rd. 35 + 36)	34	275.915	207.386
a) Expenditures with indemnities, donations and assets ceded	35	264.148	118.955
b) Other operating expenditures	36	11.767	88.431
17. Adjustments on provisions (rd. 38-39)	37	0	0
a) Expenditures	38	0	0
b) Incomes	39	0	0

TRANSILVANIA BROKER DE ASIGURARE S.A.
PROFIT AND LOSS ACCOUNT
for the financial year ended December 31, 2018
(all amounts are expressed in Lei (RON) unless otherwise stated)

OPERATING COSTS - TOTAL	40	49.931.129	57.484.914
(rd.15+17-18+19+21+24+25+26+27+28+31+34+37)			
OPERATING LOSS OR PROFIT			
Profit (rd. 14-40)	41	3.975.157	4.659.907
Loss (rd. 40-14)	42	0	0
18. Incomes from investments of which: incomes from affiliated entities	43	0	0
	44	0	0
19. Interest income of which: incomes from affiliated entities	45	2.613	17.753
	46	0	0
20. Other financial income of which: income from other financial assets	47	79	0
	48	0	0
FINANCIAL INCOME - TOTAL (rd.43+45+47)	49	2.692	17.753
21. Value adjustments for financial assets (rd. 51-52)	50	0	0
a) Expenditures	51	0	0
b) Incomes	52	0	0
22. Interest charges	53	1.295	0
Of which: expenditures in relation to affiliated entities	54	0	0
23. Other financial expenditures	55	1.244	0
FINANCIAL EXPENDITURE - TOTAL (rd.50+53+55)	56	2.539	0
PROFIT OR FINANCIAL LOSS			
Profit (rd. 49-56)	57	153	17.753
Loss (rd. 56-49)	58	0	0
CURRENT PROFIT OR FINANCIAL LOSS			
Profit (rd. 14+49-40-56)	59	3.975.310	4.677.660
Loss (rd. 40+56-14-49)	60	0	0
TOTAL INCOMES (rd.14+49)	61	53.908.978	62.162.574
TOTAL EXPEDITURES (rd.40+56)	62	49.933.668	57.484.914
GROSS PROFIT OR LOSS			
Profit (rd. 61-62)	63	3.975.310	4.677.660
Loss (rd. 62-61)	64	0	0
Corporate tax	65	569.688	719.134
Other taxes not shown in the above items	66	0	0
CORRESPONDING NET PROFIT OR LOSS			
FINANCIAL EXERCISE			
Profit (rd. 61-62-65-66)	67	3.405.622	3.958.526
Loss (rd. 62-61+65+66)	68	0	0

The financial statements were authorized by the Board of Directors on March 20, 2019 for the approval of the GMS.

Chairman of the Board of Directors,
Mr. Niculae Dan
Signature _____

Drafted,
Mrs. Pârțiu Vasilichi Oana
Head of accounting service
Signature _____

TRANSILVANIA BROKER DE ASIGURARE S.A.
STATEMENT OF CHANGES IN EQUITY
for the financial year ended December 31, 2018
(all amounts are expressed in Lei (RON) unless otherwise stated)

2017

Item name	Balance on January 1, 2017	Increases		Reductions		Balance on December 31, 2017	
		Total, of which	By transfer	Total, of which:	By transfer		
Subscribed capital	500.000	0	0	0	0	500.000	
Share premiums	0	0	0	0	0	0	
Revaluation reserves	0	0	0	0	0	0	
Legal reserves	30.000	70.000	0	0	0	100.000	
Reserves representing surplus from revaluation reserves	0	0	0	0	0	0	
Other reserves	0	0	0	0	0	0	
The retained earnings represent the undistributed profit or the uncovered loss	Balance C	25.000	3.051.681	3.051.681	3.051.681	0	25.000
	Balance D	0	0	0	0	0	0
The retained earnings from the correction of accounting errors	Balance C	0	0	0	0	0	0
	Balance D	87.131	639.092	0	0	0	726.223
Outcome of the financial exercise	Balance C	3.051.681	3.405.622	0	3.051.681	3.051.681	3.405.622
	Balance D	0	0	0	0	0	0
Distribution of profit	25.000	70.000	70.000	25.000	25.000	70.000	
Total equities	3.494.550	5.818.211		6.078.362		3.234.399	

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TRANSILVANIA BROKER DE ASIGURARE S.A.
STATEMENT OF CHANGES IN EQUITY
for the financial year ended December 31, 2018
(all amounts are expressed in Lei (RON) unless otherwise stated)

2018

Item name		Sold la January1, 2018	Increases		Reductions		Balance on December 31, 2018
			Total, of which:	By transfer	Total, of which:	By transfer	
Paid capital		500.000			0		500.000
Share premiums		0	0		0		0
Revaluation reserves		0	0		0		0
Legal reserves		100.000	0	0	0		100.000
Reserves representing surplus from revaluation reserves		0	0		0		0
Other reserves		0	0		0		0
The retained earnings represent the undistributed profit or the uncovered loss	Balance C	25.000	3.335.622	3.335.622	3.326.223		34.399
	Balance D	0					0
The retained earnings from the correction of accounting errors	Balance C	0					0
	Balance D	726.223			726.223	726.223	0
Outcome of the financial exercise	Balance C	3.405.622	3.958.526		3.405.622	3.405.622	3.958.526
	Balance D	0					0
Distribution of profit		70.000	0	0	70.000	70.000	0
Total equities		3.234.399	7.294.148		5.935.622		4.592.925

The financial statements were authorized by the Board of Directors on March 20, 2019 for the approval of the GMS.

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TRANSILVANIA BROKER DE ASIGURARE S.A.
EXPLANATORY NOTES TO INDIVIDUAL ANNUAL FINANCIAL STATEMENTS
for the financial year ended December 31, 2018
(all amounts are expressed in Lei (RON) unless otherwise stated)

Indicator name	Nr. rd.	Achievements related to the period	
		previous 31.12.2017	current 31.12.2018
CASH FLOWS FROM THE OPERATION ACTIVITY			
1. Cash receipts from brokerage activity	1	311.146.764	324.935.178
2. Cash payments from brokerage activity	2	302.868.441	316.650.639
3. Other payments from various borrowers	3	58.542	2.219
4. Cash payments to suppliers and other various creditors	4	1.283.561	2.106.844
5. Cash payments to and on behalf of employees	5	2.169.311	2.417.726
6. Payments related to special funds from intermediation	6	107.358	58.701
7. Other cash payments related to operating activities	7	459.599	763.077
8. Cash payments representing dividends distributed to shareholders	8	0	5.341.195
9. Paid corporate tax	9	497.887	683.823
NET CASH FROM (USED IN)	10	3.819.149	-3.084.608
OPERATING ACTIVITY (rd.01-02+03-04-05-06-07-08-09)			
CASH FLOWS FROM INVESTMENT ACTIVITIES			
1. Cash payments for the acquisition of tangible and intangible assets	11	48.833	1.698.272
2. Receipts from the sale of tangible and intangible assets	12	0	0
3. Cash proceeds for acquisition of equity instruments or the debt of other entities	13	0	0
4. Proceeds from sale of equity instruments or debt of other entities	14	0	0
5. Cash payments for acquiring interests in joint ventures	15	0	0
6. Proceeds from sale of interests in joint ventures	16	0	0
7. Payments as loans to third parties	17	0	9.087
8. Proceeds from repayment of loans granted to third parties	18	0	0
9. Proceeds from dividends generated by the equities	19	0	0
10. Proceeds from interest income on debt instruments	20	0	0
11. Proceeds from bank interest	21	2.613	17.753
NET CASH FROM (USED IN)	22	-46.220	-1.689.606
INVESTMENT ACTIVITIES (rd.12-11-13+14-15+16-17+18+19+20+21)			
CASH FLOWS FROM FINANCING ACTIVITY			
1. Cash proceeds from bonds or other equity instruments	23	0	0
2. Cash payments made to owners to redeem the entity's shares	24	0	0

TRANSILVANIA BROKER DE ASIGURARE S.A.
EXPLANATORY NOTES TO INDIVIDUAL ANNUAL FINANCIAL STATEMENTS
for the financial year ended December 31, 2018

(all amounts are expressed in Lei (RON) unless otherwise stated)

3. Cash proceeds from the issuance of debt instruments, Bonds or other loans	25	0	1.400.000
4. Cash payments made to repay borrowed funds	26	0	0
5. Cash proceeds from funds borrowed from shareholders	27	0	1.550
6. Payments representing repayments of funds borrowed by shareholders	28	43.000	1.550
7. Cash payments related to financial leasing contracts	29	52.127	0
NET CASH FROM (USED IN)	30	-95.127	1.400.000
FINANCING (rd.23-24+25-26+27-28-29)			
CASH AND CASH EQUIVALENTS ON 1ST OF JANUARY	31	3.588.062	7.265.864
NET INCREASE OF DECREASE OF CASH AND	32	3.677.802	-3.374.215
CASH EQUIVALENTS (rd.10+22+30)			
ECHIVALENTELEOR DE NUMERAR 31 DECEMBRIE	33	7.265.864	3.891.649
(rd. 31+32)			

The financial statements were authorized by the Board of Directors on March 20, 2019 for the approval of the GMS.

Chairman of the Board of Directors,
 Mr. Nicolae Dan
 Signature _____

Drafted,
 Mrs. Pârțiu Vasilichi Oana
 Head of accounting service
 Signature _____

1. GENERAL INFORMATION

1.1 *Company presentation*

TRANSILVANIA BROKER de ASIGURARE S.A. is an insurance brokerage company, established and registered in 2006. The company operates in accordance with the provisions of the Companies Law no. 31/1990 and the Law on the Distribution of Insurance no. 236/2018. The company is authorized by the FSA to provide brokerage services in business insurance, holds authorization number 114 420 of 21 November 2006 and is registered in the Register of Insurance Brokers under no. RBK - 374. The Company is subject to the regulations issued by the Financial Supervisory Authority with regard to commercial intermediation. The company is listed on the Bucharest Stock Exchange starting with November 2, 2017. The company has its registered office in Bistrita, str. Zorilor nr. 5, cod poștal 540014, jud. Bistrita-Nasaud, is registered at the Trade Register Office under no. J06/674/2006, fiscal code 19044296. On December 31, 2018, the Company has the following locations:

- Municipiul Sibiu, jud. Sibiu, str. Justiției, nr. 10;
- București Sectorul 1, str. Buzești, nr. 59, bloc A5, scara 4, ataj 1, ap. 66;
- Municipiul Pitești, jud. Argeș, Intrarea ROZELOR, nr. 3;
- Municipiul Cluj-Napoca, jud. Cluj, srt. Sarmisegetuza, nr. 22, etaj 1.

The shareholding structure on December 31, 2018 is as follows:

Shareholder	No. shares	Nominal value (lei)	Percentage of ownership (%)
LOGIN GABRIEL	1.145.031	229.006,20	45,8012
NICULAE DAN	764.732	152.946,40	30,5893
Individuals	424.395	84.879,00	16,9758
Corporate entities	165.842	33.168,40	6,6337
TOTAL	2.500.000	500.000,00	100,0000

1.2. Corporate Governance Structures

Members of the Board of Directors of Transilvania Broker de Asigurare S.A.:

- during 01.01.2018 – 24.07.2018:
 - NICULAE Dan – Chairman of the Board of Directors;
 - DENEȘ Daniela Tasia – Member of Board of Directors;
 - ȚUICĂ Gabriel Alexandru – Member of Board of Directors;

- during 25.07.2018 – 31.12.2018, under a new mandate:
 - NICULAE Dan – Chairman of the Board of Directors;
 - DENEȘ Daniela Tasia – Member of Board of Directors;
 - ȚUICĂ Gabriel Alexandru – Member of Board of Directors;

On December 31, 2018, the company's management team was formed by the following persons:

- NICULAE Dan – General Manager;
- COTIAC Ioan – Executive Manager;
- LOGIN Camelia-Mariana – Financial and Accounting Department Manager;
- PÂRȚIU VASILICHI Oana – Chief Accountant Service.

The members of the executive management have the competencies and responsibilities according to the job description.

All persons belonging to the Company's executive management are committed to permanent contract.

The persons who are part of the executive management or the Board of Directors of the company have not been involved in litigation or administrative proceedings in connection with their activity.

2. ACCOUNTING POLICIES

The individual annual financial statements were prepared by the Company in accordance with the Accounting Law no. 82/1991, republished, as subsequently amended and supplemented and with the provisions of the FSA Regulation no. 36/2015 for the approval of the Accounting Regulations on the individual annual

financial statements and the consolidated annual financial statements applicable to insurance and/or reinsurance brokers ("Norm. 36/2015"). The Company's management expressly and unconditionally declares that the individual annual financial statements comply with all the applicable provisions under Regulation 36/2015.

The individual annual financial statements were approved by the Board of Directors during the meeting from March 22, 2019.

The main accounting policies applied in the preparation of the financial statements are set out below. The policies have been applied consistently to all the years presented, unless otherwise stated.

2.1. Basics of assessment

The individual annual financial statements are prepared under the historical cost convention, unless otherwise stated.

2.2. Currency

The accounting is kept in Romanian language and in national currency ("RON" or "LEI"). The items included in these financial statements are presented in Romanian LEI.

2.3. Assessments and accounting estimates

The preparation of financial statements in accordance with "Regulation 36/2015" requires the management to make estimates that affect the reported amounts of assets and liabilities and the presentation of contingent assets and liabilities at the date of the financial statements, as well as the amounts of revenues and expenses during the reporting period. The actual results may differ from what you expected. Estimates are reviewed periodically.

Below are examples of assessments methods, estimates, assumptions applied within the Company:

(a) Adjustments for impairment of receivables

The assessment for the impairment receivables is performed individually and is based on the management's best estimate of the present value of cash flows expected to be received. For estimating these flows, management makes some estimates about the financial condition of the partners.

(b) Corporate entities

The Company reviews unsettled legal cases, following developments in court proceedings and the statements existing at each reporting date, in order to assess the provisions and disclosures in its financial statements. Among the factors considered when making decisions related to provisions are the nature of the litigation or the potential damage claim, the progress of the case (including progress after the date of the financial statements, but before those statements are issued).

(c) Taxation

The tax system in Romania is in a phase of consolidation and harmonization with the European legislation. However, there are still different interpretations of tax legislation. In certain situations, the tax authorities may treat certain aspects differently by calculating additional taxes and fees and related late payment penalties. The Company's management believes that the tax liabilities included in the financial statements are appropriate.

2.4. General principles of significant financial reporting

The financial statements for the year ended on December 31, 2018 were prepared in accordance with the following general principles of financial reporting:

Continuity principle

These financial statements have been prepared under continuity principle, which implies that the Company will continue to operate normally in the foreseeable future without going into the impossibility of continuing its activity or significantly reducing it. To assess the applicability of this assumption, the management examines the projections of future cash inflows. Based on these analyses, the management believes that the Company will be able to continue its activity in the foreseeable future, and therefore the application of the continuity principle to the preparation of individual annual financial statements is justified.

On December 31, 2018, the Company recorded a profit of 3,958,526 lei with net current assets in the amount to 3,935,738 lei

Consistency principle

The Company applies the same rules, methods, and rules for the assessment, recording and presenting the assets accounting, liabilities and equities ensuring the accounting information comparability.

Prudence principle

When preparing the financial statements, it has been taken into account:

- all value adjustments due to impairment in asset valuation;
- within the profit and loss account included only profit at the balance sheet date;
- the debts incurred in the current financial year or previous financial year were acknowledged, even if they became apparent only between the balance sheet date and the date of its preparation.

Accrual principle

The effects of transactions and other events are acknowledged when transactions and events occur (and not as cash or cash equivalents are received or paid) and are recorded in the accounting and reported in the financial statements of the related periods. Income and expenses that arise directly and simultaneously from the same transaction are recognized simultaneously in the accounting by direct association between expenditures and related income, with a distinct highlighting of these incomes and expenditures.

Intangibility principle

The opening balance sheet for the current financial year corresponds to the closing balance sheet of the previous financial year.

Principle of separate valuation of components of asset and liability items

In order to determine the total value of a balance sheet item, the value of each individual asset or liability item was determined separately.

Offsetting principle

The values of asset items were not offset by the values of the debt/equity items, meaning there was no offset between the items of income and expense.

The principle of valuation at acquisition cost or production cost

The items presented in the financial statements are valued on the historical cost basis.

Materiality principle

Items that are of significant value are presented separately in the financial statements.

Accounting and disclosing balance sheet and profit or loss account taking into account the economic substance of the transaction or commitment in question

The events and the economic and financial operations were recorded in the accounting as they were based on the supporting documents. Where there is a difference between the substance or economic nature of an operation or transaction and the legal form, the entity shall account for those operations, with due regard to their economic substance.

2.5 Currency conversions

Transactions in foreign currency are translated into LEI at the exchange rate on the date of the transaction.

The LEU / EUR exchange rates on December 31, 2017 and December 31, 2018 were as follows:

Currency	December 31, 2017	December 31, 2018
LEU/EUR	4,6597	4,6639

2.6 Intangible assets

Intangible assets that comply with the criteria of Regulation 36/2015 are stated at cost, less the cumulative depreciation. Costs related to software acquisition are capitalized and depreciated using the straight-line method over the useful life.

Concessions, patents, licenses, trademarks, rights and similar assets are recorded in the intangible asset accounts at the cost of acquisition.

Licenses and other intangible assets are depreciated using the straight-line method for an estimated 3-year period.

2.7 Tangible assets

Cost / Assessment

Tangible assets acknowledged as assets are initially measured at cost by the Company and subsequently at cost, less the cumulative depreciation and accumulated impairment losses. The cost of an item of tangible assets consists of the purchase price, including irrecoverable charges and any costs that can be directly

attributable to bringing the asset to the location and in the necessary condition for it to be used for the intended purpose by the management; initial delivery and handling costs, installation and packaging costs, professional fees, after deduction of any price reductions of a commercial nature.

The expenses for the maintenance and repair of tangible assets are recorded by the Company to the profit account when incurred and significant improvements in tangible assets that increase value or significantly increase the ability to generate economic benefits by the Company are capitalized.

Tangible fixed assets in progress fall into the category of completed assets after reception, commissioning them as appropriate, as the case may be.

Depreciation

Depreciation is calculated for the depreciable amount, which is the cost of the asset, or another value that replaces the cost. Depreciation is recognized in profit or loss using the straight-line method over the useful life estimated for each component of a tangible asset. The useful lives for the reporting period are as follows:

- Buildings 40 years;
- Technical installation 3 - 6 years;
- Means of transportation 5 years;
- Office furniture and equipment 3 - 5 years.

The depreciation periods in the accounting are not different from the depreciation periods used by the Company for tax purposes.

Tangible fixed assets held in finance leases or purchased in instalments.

As of December 31, 2018, the Company does not have any tangible fixed assets held under finance leases or purchased with instalments.

Derecognition

The tangible assets that have been ceded or cancelled are removed from the Balance Sheet together with the appropriate cumulative depreciation.

Any gain or loss on the disposal of an asset is determined by comparing the disposal proceeds with the carrying amount of the tangible assets and is recognized at the net amount in profit or loss for the period.

2.8 Financial assets

The financial assets are initially recorded at the acquisition cost or the amount determined in the purchase contract. The financial assets are subsequently recorded at the input value less the cumulative value adjustments for impairment.

2.9 Impairment of fixed assets

The book value of the Company's assets, other than inventories, is reviewed at the balance sheet date to determine whether there are any decreases in value. If such a decrease is probable, the recoverable amount of the asset in question is estimated. Correcting the value of intangible and tangible assets and bringing them to inventory value is made, depending on the type of impairment, either by recording additional depreciation if irreversible depreciation is found or by making or adding impairment adjustments, if a reversible depreciation is found.

Resumption of depreciation adjustments

The impairment loss on an investment made by the Company in financial instruments or a receivable is resumed when the subsequent increase in recoverable amount can be related to an event that occurred after the impairment loss was recognized.

For other assets, an adjustment for impairment is restated if there has been a change in the estimates used to determine the recoverable amount.

2.10 Trade receivables

The trade receivables are recognized and recorded at the original amount receivable minus the impairment adjustments for non-adjustable amounts. Impairment adjustments are made when there is evidence that the Company will not be able to collect the receivables at the original agreed maturity. Receivables that cannot be cashed as expenses when they are identified.

2.11 Cash and cash equivalents

Cash availability consists of cash in cash and bank accounts. For Cash Flow Statement, cash and cash equivalents comprise cash in cash and bank accounts.

2.12 Financial debts

The commercial liabilities are stated at cost, which is the amount of the liability that will be payable in the future for the goods and services received, whether or not they have been invoiced to the Company. For liabilities denominated in lei, which are settled on a currency basis, any favourable or unfavourable differences that result from their valuation are recorded as income or expenses, as appropriate.

2.13 Provisions

Provisions are acknowledged when the Company has a current (legal or implicit) obligation arising from a previous event, it is probable that an outflow of resources will be required to honour the obligation and the liability can be estimated reliably. The amount of a provision represents the best estimate of likely expense or, in the case of a liability, the amount required to settle the obligation.

2.14 Share capital

The share capital, made up of common shares, is registered at the value determined on the basis of the Incorporation Acts. The Company recognizes the changes in the share capital only after they have been approved by the General Meeting of Shareholders.

2.15 Legal reserves

It constitutes 5% of the gross profit reported at the end of the financial year until the total legal reserves reach 20% of the paid share capital in accordance with the legal provisions. On December 31, 2018, the Company has set a legal, i.e. 20% of the share capital.

2.16 Dividends

Dividends are acknowledged as a liability in the period in which their distribution is approved. The distribution of dividends is made after approval of the financial statements.

2.17 Reported result

The accounting loss reported, is covered from the current year's profit after approval of the annual financial statements, according to the law.

The bookkeeping of the accounts is made in the following year after the general meeting of shareholders approves the distribution of the profit, by registering the amounts representing dividends due to shareholders, reserves and other destinations, according to the law. It cannot be retrieved on the record of the distribution of profit.

2.18 Financial instruments

The financial instruments used by the Company consists mainly in cash, receivables, debts. Instruments of this type are evaluated in accordance with the specific accounting policies presented above in Note 2.

2.19 Income recognition

Operating income

Income category includes both sums or values paid or due to payment from current activities as well as earnings from any other sources. Operating incomes include incomes from the negotiation of insurance and reinsurance contracts.

The Company's turnover consists of income from the negotiation of insurance and reinsurance contracts and income from other activities related to the object of activity.

Company's incomes are recorded as a service provided on the basis of the invoice or other conditions provided in the contracts signed by the Company.

Income from the sale of goods

Incomes from the sale of goods are recorded when the goods are handed over to the buyers, delivered on the basis of the invoice or under other conditions stipulated in the contract, attesting the transfer of ownership of the goods to the customers.

Income from royalties, rents and interest:

Such as:

- The interests are recognized periodically, proportionally, to the extent of generating that income, on the basis of accrual accounting;
- The royalties and rents are recognized on the basis of accrual accounting under the contract.

2.20 Taxes and fees

The Company records current income tax in accordance with the Romanian legislation in force at the date of the financial statements. Debts related to taxes and fees are recorded in the period to which it relates.

2.21 Accounting errors

The errors found in accounting may refer to either the current financial year or the previous financial years. Errors are corrected at the time of their finding.

Correction of errors for the current financial year is made on the account of the profit and loss account. Correction of significant errors in previous years is carried out on the basis of the reported result.

3. RISK MANAGEMENT

Interest rate risk

The interest rate risk for the Company comes from the long-term borrowed loan in 2018 with variable interest. The exposure of the Company to the risk of changes in the interest rate on cash flows is partly offset by cash placed in "over night" deposits, for which the interest rate is also variable.

Currency risk

The Company is not exposed to this risk because the company's activities are carried out on the domestic market and, at the date of the financial statements, it does not record balances denominated in a currency other than the national currency (RON).

Credit risk

The company carries out business relationships only with recognized third parties, which justifies the credit financing. The receivable balances are monitored on a permanent basis, resulting in an insignificant exposure of the Company to the risk of non-renewable receivables.

4. INTANGIBLE ASSETS

Gross value / intangible items	Initial balance on January 1, 2018	Increases	Discounts		Final balance on December 31, 2018
			Total	Of which: Dismantling and Cassation	
Licenses and other intangible assets	59.898	13.675	840	840	72.733
TOTAL	59.898	13.675	840	840	72.733

DEPRECIATION / intangible items	Initial balance on January 1, 2018	Depreciation during the year	Depreciation related to intangible assets disposed of	Final balance on December 31, 2018
Licenses and other intangible assets	43.944	11.585	840	54.689
TOTAL	43.944	11.585	840	54.689

Book value	15.954			18.045
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During 2018, the book value of intangible assets (licenses and software) recorded an increase of 13.10%, mainly due to the acquisition of licenses. The total value of purchases of intangible assets in 2018 was 13,675 lei. The depreciation of intangible assets recognized by the Company in 2018 is 11,595 lei.

5. TANGIBLE ASSETS

Gross value / intangible items	Initial balance on January 1, 2018	Increases	Discounts		Final balance on December 31, 2018
			Total	of which: Dismantling and Cassation	
Land and constructions	0	1.698.272	0	0	1.698.272
Technical installations and machines	866.045	83.965	0	0	950.010
Other installations, machinery and furniture	85.357	0	0	0	85.357
Advances and tangible assets in progress	0	0	0	0	0
TOTAL	951.402	1.782.237	0	0	2.733.639

AMORTIZATION / intangible items	Initial balance on January 1, 2018	Depreciation during the year	Depreciation related to intangible assets disposed of	Final balance on December 31, 2018
Constructions		0	0	0

TRANSILVANIA BROKER DE ASIGURARE S.A.
EXPLANATORY NOTES TO INDIVIDUAL ANNUAL FINANCIAL STATEMENTS
for the financial year ended December 31, 2018

(all amounts are expressed in Lei (RON) unless otherwise stated)

Technical installations and machines	802.857	52.718	0	855.575
Other installations, machinery and furniture	49.696	12.288	0	61.984
TOTAL	852.553	65.006	0	917.559
Book value	98.849			1.816.080

Significant increases in tangible assets appeared during 2018; in December, the Company acquired 2 terrains in a total amount of 302,432 lei and a construction in the amount of 1,395,840 lei. Also in 2018 a car was purchased in the amount of 51,275 lei and computers in the amount of 32,690 lei. There were no tangible assets outflows in 2018.

The amount of amortization acknowledged by the Company in 2018 for tangible assets is 65,006 lei.

As of December 31, 2018, the Company does not have any adjustments for the amortization of tangible assets.

6. FINANCIAL ASSETS

The financial assets presented in the balance sheet refer to guarantees paid for lease contracts of offices, including guarantees for utility contracts.

GROSS VALUE	Initial balance on January 1, 2018	Increases	Discounts	Final balance on December 31, 2018
Guarantees and fixed receivables	15.075	9.087	1.500	22.662
TOTAL	15.075	9.087	1.500	22.662

IMPAIRMENT ADJUSTEMENTE	Initial balance on January 1, 2018	Increases	Discounts	Final balance on December 31, 2018
Guarantees and fixed receivables	0	0	0	0
TOTAL	0	0	0	0
Book value	15.075			22.662

7. TRADE RECEIVABLES AND OTHER RECEIVABLES

Receivable items	No	Balance on January 1, 2018	Balance on December 31, 2018	Liquidity		
				Under 1 year	1 - 5 years	Over 5 years
0	1	2	3 = 4 + 5 + 6	4	5	6
TOTAL RECEIVABLES (rd.1 la 8 - rd.9+rd.10+rd.11), of which:		4.569.984	4.134.391	4.111.729	22.662	0
Receivables related to brokerage activity	1	372.012	836.446	836.446	0	0
Amounts to be collected from affiliated entities	2	0	0	0	0	0
Advance payments for services	3	386.892	574.500	574.500	0	0
Advances payments to staff and assimilated receivables	4	0	0	0	0	0
Receivables due to state budget	5	0	0	0	0	0
Receivables due to the social security budget	6	0	81.506	81.506	0	0
Receivables related to paid and unpaid capital	7	0	0	0	0	0
Receivables to various debtors	8	3.831.490	2.750.284	2.750.284	0	0
Adjustments for impairment of various debtor receivable	9	-35.485	-131.007	-131.007	0	0
Clearance from operations under clarification	10	0	0	0	0	0
Tangible receivables (guarantees)	11	15.075	22.662	0	22.662	0

The receivables related to brokerage activity do not have interest and in general they have a collection time of less than 30 days.

The uncertain receivables are recorded separately in accounting. When it is estimated that a receivable will not be fully recovered, adjustments for impairment are recorded in the bookkeeping at the level of the amount that cannot be recovered.

Receivables representing advances for services in value of 574,500 are amounts paid as prepayments to brokerage partners, amounts that settle with the amounts due to them for the intermediate policies.

Receivables from various borrowers mostly refer to amounts to be cleared by the brokerage agencies in January 2019, namely 2,575,242 lei, and from this amount, 175,042 lei refers to various debtors' receivables, and some of which relate to receivables with court actions. The Company makes estimates for the risk of non-collection of receivables evidenced on December 31, 2018. According to these estimates, the Company recorded adjustments for impairment of receivables from various debtors in the amount of 131,007 lei.

TRANSILVANIA BROKER DE ASIGURARE S.A.
EXPLANATORY NOTES TO INDIVIDUAL ANNUAL FINANCIAL STATEMENTS
for the financial year ended December 31, 2018
(all amounts are expressed in Lei (RON) unless otherwise stated)

Adjustments for impairment of receivables	December 31, 2017	December 31, 2018
At the beginning	0	35.485
Set during the year	35.485	131.007
Cancelled during the year	0	35.485
At the end	35.485	131.007

8. CASH AND CASH EQUIVALENTS

Indicator	December 31, 2017	December 31, 2018
Current banks accounts (lei)	2.343.142	1.422.535
Deposit accounts (lei)	4.913.785	2.465.302
Cash in cashier (lei)	8.937	3.812
Other values (lei)	0	0
Cash advances (lei)	0	0
TOTAL	7.265.864	3.891.649

9. COMMERCIAL LIABILITIES AND OTHER LIABILITIES

Liability items	Nr. rd.	Balance on January 1, 2018	Balance on December 31, 2018	Maturity date		
				Under 1 year	1 - 5 years	Over 5 years
0	1	2	3 = 4 + 5+ 6	4	5	6
TOTAL liabilities (rd.1 la 8 - rd.9+rd.10+rd.11), din care:		8.723.850	5.278.357	4.078.757	801.600	398.000
Loans from bond issue	1	0	0	0	0	0
Sums owed to credit institutions	2	0	1.400.000	200.400	801.600	398.000
Debts on premiums	3	5.044.351	3.315.470	3.315.470	0	0
Amounts due to affiliated entities	4	0	0	0	0	0
Debt arising from leasing contracts	5	0	0	0	0	0
Debt to other vendors and various creditors	6	146.475	19.213	19.213	0	0
Debt to staff	7	132.826	129.560	129.560	0	0
Amounts due to brokerage assistants	8	56.627	56.117	56.117	0	0
Debts to the social security budget	9	96.066	105.402	105.402	0	0
Debts to the state budget	10	207.174	227.756	227.756	0	0
Debts to special funds in brokering	11	13.649	17.068	17.068	0	0
Debts on other taxes, taxes and similar charges	12	150.819	0	0	0	0
Debts on the amounts to be returned to shareholders	13	0	0	0	0	0

TRANSILVANIA BROKER DE ASIGURARE S.A.
EXPLANATORY NOTES TO INDIVIDUAL ANNUAL FINANCIAL STATEMENTS
for the financial year ended December 31, 2018

(all amounts are expressed in Lei (RON) unless otherwise stated)

Dividends due to shareholders	14	2.875.861	5.092	5.092	0	0
Clearance from operations undergoing clarification	15	0	2.679	2.679	0	0

The debts of the Company as of for December 31, 2018 refer mainly to debts relate to debts towards the insurance companies, amounts settled in January 2019, namely the amount of 3,315,470 lei (5,044,351 lei in 2017).

The debts to the financial-banking institutions are represented by the long-term loan of 1,400,000 lei contracted by the Company in 2018. The loan is repaid in equal instalments for a duration of 84 months, the final maturity being on 01.12.2025. The interest rate is set according to the ROBOR index at 6 months and the margin applied by the bank. This loan was contracted in order to finance the acquisition of a building and 2 terrains, totalling in 1,698,272 lei. The company provided the following guarantees for the loan received: security for bank accounts; mortgage on the construction and the two lands.

The debts to the state budget, representing taxes and fees, refer to amounts paid at the due dates for these obligations.

Obligations on staff and social security are set appropriately to their destination.

10. PROVISIONS

The company did not consider it necessary to set up provisions in the year 2018.

11. EQUITY

Indicator	December 31, 2017	December 31, 2018
Subscribed capital Value (lei)	500.000	500.000
Number of ordinary shares	2.500.000	2.500.000
Nominal value (lei/share)	0,20	0,20

12. RESERVES

Reserves	December 31, 2017	December 31, 2018
Legal reserves	100.000	100.000

13. DISTRIBUTION OF PROFIT

Indicator	Financial year ended 31 December 2017	Financial year ended 31 December 2018
Net profit to be allocated	3.405.622	3.958.526
Legal reserve	70.000	0
Other reservations	0	0
Covering the carry forward	726.223	0
Dividends Payment	2.600.000	3.200.000
Non-distributed profit	9.399	758.526

The Board of Directors will decide on the proposed net profit targets. The non-distributed profit, in value of 758,526 lei will be transferred to the reported result and will be subsequently distributed, according to the GMS resolution.

Highlighting the accounting profit targets will be made after approval granted by the GMS of the distribution of profit.

14. INCOME FROM BROKERAGE ACTIVITIES

Nature of the earned incomes	December 31, 2017	December 31, 2018
Income from brokerage activity	53.835.203	62.121.897
Income from negotiating insurance contracts	53.726.933	62.064.257
Income from negotiating reinsurance contracts	0	0
Other income related to the object of activity	108.270	57.640

15. STAFF COSTS

- a) Payroll and related contributions, other employee expenses

Indicator	Value on December 31, 2017	Value on December 31, 2018
Expenditure on staff remuneration	1.770.860	2.199.224
Expenditure on meal vouchers granted to employees	57.219	61.660
Expenditure on insurance and social protection	441.964	16.068
Work safety contribution		50.090
Expenditure on staff training	2.211	1.857
TOTAL, din care:	2.272.254	2.328.899
Expenditure on executive management personnel	138.861	163.415

TRANSILVANIA BROKER DE ASIGURARE S.A.
EXPLANATORY NOTES TO INDIVIDUAL ANNUAL FINANCIAL STATEMENTS
for the financial year ended December 31, 2018
(all amounts are expressed in Lei (RON) unless otherwise stated)

b) Board of Directors:

Name and first name	Position	Value of paid indemnities in 2018
NICULAE DAN	Chairman of the Board of Directors	80.145,00
TUICA GABRIEL ALEXANDRU	Member	8.504,00
DENES DANIELA TASIA	Independent member	21.257,00
TOTAL		235.238,00

16. ANALYSIS OF OTHER EXPENDITURE AND RESULTS

a) RESULTS FROM OPERATION

Indicator	Financial year ended December 31, 2017	Financial year ended December 31, 2018
1. Net turnover	53.835.203	62.121.897
2. Cost of goods sold and services (3 + 4)	48.069.068	54.432.482
3. Expenditure on basic activity	47.937.641	54.296.816
4. Expenditure on supplementary activities	131.427	135.666
5. Gross profit on net turnover (1-2)	5.766.135	7.689.415
6. Expenses	801.846	2.042.361
7. General administration expenses	1.060.216	1.045.555
8. Other operating income	71.084	58.409
9. Operating result (5-6-7 + 8)	3.975.157	4.659.908

b) ALTE CHELTUIELI DE EXPLOATARE

Indicators	Value for 2017	Value for 2018
Expenditure on energy and water	27.610	36.514
Maintenance costs and repairs	1.643	10.584
Expenses with royalties, management locations and rents	198.030	213.988
Expenditure on insurance premiums	20.837	71.896
Expenditure on staff training	2.211	1.857
Expenditure on commissions and fees	952	25.366
Protocol, advertising and advertising expenses	228.062	389.862
Expenditure on goods and personnel transport	0	2.009
Expenditure on travel, business trips and transfers	17.742	14.125
Postage and telecommunication charges	212.674	172.800
Expenditure on banking and similar service	100.062	106.796
Other expenditure on services rendered by third parties	463.900	1.137.483
TOTAL	1.273.723	2.183.280

17. PROFIT TAX

Indicator	Value for 2017	Value for 2018
1. Profit or loss for the financial year	4.107.973	4.677.660
2. Items similar to incomes	0	0
3. Legal reserve	70.000	0
4. Non-taxable incomes	0	0
5. Non-deductible expenses	1.071.605	931.455
6. Non-deductible tax amortization difference	43.457	9.118
7. Taxable profit/Tax loss for the reporting year (rd. 1+2-3-4+5+6)	5.153.035	5.618.233
8. Tax loss for previous years	0	0
9. Taxable profit/ Fiscal loss to be recovered in the future years (rd. 7-8)	5.153.035	5.618.233
10. Current income tax (rd. 9*16%)	824.486	898.917
11. Income tax on reinvested profit	0	0
12. Profit tax due (rd. 10-11)	824.486	898.917
13. Profit tax due for the quarter I + II + III	395.304	510.061
14. Expenses for sponsorships	142.422	179.783
15. Profit tax due at the end of the period (rd. 12-13-14)	286.760	209.073

18. OTHER INFORMATION

Information on relations with affiliated entities and other related parties

The company does not hold shares in other subsidiaries.

Further events

Events after the balance sheet are those events, either favourable or unfavourable, occurring between the balance sheet date and the date on which the annual financial statements are authorized for issue. Until the financial statements were authorized, there were no further major events that would damage the Company's presented image.

Rental and leasing costs

The Company does not have financial leasing contracts in progress. The rent expenses are in value of 213,998 lei (up from 2017, when they were in value of

198,030 lei) and relates to the rents paid by the Company for the locations in which it operates as a registered office and work point.

Contingencies

Taxation

All amounts due to the State for taxes have been paid or recorded at the balance sheet date. The Romanian tax system is undergoing consolidation, with different interpretations by the authorities in relation to tax legislation, which may rise additional taxes, duties and penalties. If the state authorities discover breaches of Romanian legal provisions, they may, as the case may be, confiscate the amounts in question, impose additional tax obligations, apply fines, apply late payments (applied to the amounts actually paid). Therefore, the fiscal sanctions resulting from breaches of the legal provisions may reach significant amounts to be paid to the State. In Romania, the fiscal year remains open for verification for a period of 5 years.

The Company considers that it paid in due time all penalties, fees, taxes, penalties and their interests.

In Romania, the fiscal year remains open for verification for a period of 5 years.

Claims of a legal nature (contingencies)

The Company's management considers that the disputes in which it is involved at the date of the financial statements will not have a material impact on the Company's operations and financial position. However, a contingent liability must be presented at the level of the amount requested by Asiom Vienna Insurance Group S.A. at the level of the claims in value of 2,117,833 lei and the related interests, which are not specified. Transilvania Broker de Asigurare S.A. won first instance at the Bistrita-Nasaud Court, but Asiom Vienna Insurance Group S.A. appealed.

Aspects related to environment

The company is unaware of potential negative environmental impacts due to its operations, which should be quantified. The result of such potential effects is uncertain, and the management of the Company does not consider it necessary to provide such environmental liabilities.

Commitments - Guarantees granted to third parties

For the long-term loan contracted, the Company provided the following guarantees in favour of the bank:

- Movable security on bank accounts;
- Real estate guarantee for a terrain with an area of 100 sqm, cadastral no. 8452 recorded in the real Estate Register with no. 61938 from Bistrița;

TRANSILVANIA BROKER DE ASIGURARE S.A.
EXPLANATORY NOTES TO INDIVIDUAL ANNUAL FINANCIAL STATEMENTS
for the financial year ended December 31, 2018

(all amounts are expressed in Lei (RON) unless otherwise stated)

- Real estate guarantee for a land with an area of 500 sqm, within city limits, cadastral no. 56884 and the construction built on it, cadastral no. 56884-C1, a building registered in the Real Estate Register with no. 56884 from Bistrița.

The financial statements were authorized by the Board of Directors on March 20, 2019 for the approval of the GMS.

Chairman of the Board of Directors,
Dl. Nicolae Dan
Signature _____

Drafted,
Dna. Pârțiu Vasilichi Oana
Head of accounting service
Signature _____

DECLARATIE,

in conformitate cu prevederile art. 30 din Legea Contabilitatii nr 82/1991

S-au intocmit situatiile financiare anuale la 31.12.2018 pentru :

Entitate : Soc Transilvania Broker de Asigurare S.A.

Judetul : Bistrita-Nasaud

Adresa : Loc. Bistrita, str. Zorilor, nr.5

Forma de proprietate : 34- Societate pe actiuni

Numarul din registrul comertului : J06/674/2006

Activitatea preponderenta (cod si denumire clasa CAEN) : 6622- Activitati ale agentilor si brokeri-lor de asigurare

Cod de identificare fiscala : 19044296

Subsemnata Partiu-Vasilichi Oana Ancuta, isi asuma raspunderea pentru intocmirea situatiilor financiare anuale la 31.12.2018 si confirma ca :

- a) Politicile contabile utilizate la intocmirea situatiilor anuale sunt in conformitate cu reglementarile contabile aplicabile ;
- b) Situatiile financiare anuale ofera o imagine fidela a pozitiei financiare , performantei financiare si a celorlalte informatii referitoare la activitatea desfasurata ;
- c) Persoana juridical isi desfasoara activitatea in conditii de continuitate.

Semnatura,

Partiu-Vasilichi Oana Ancuta

REPORT OF THE INDEPENDENT AUDITOR

To the Shareholders of **TRANSILVANIA BROKER DE ASIGURARE S.A.**

Bistrița, Bistrița-Năsăud county

Report on the individual yearly financial statements

Opinion

- 1 I have audited the annexed financial statements of the company TRANSILVANIA BROKER DE ASIGURARE S.A. ("the Company") which include the Balance Sheet on the 31st of December 2018, the Profit and Loss Account, The Situation of the changes in the own capital, the Situation of the Cash Flows, for the financial year concluded on the 31.12.2018 and a summary of the significant accounting policies and other explanatory notes.
- 2 The individual annual financial statements on the 31st of December 2018 are identified as follows:
 - Net current assets/ total own capitals: 4.592.925 lei
 - Net profit of the financial year: 3.958.526 lei
- 3 In our opinion, the annexed annual financial statements are offering a true image of the company's financial position on the 31.12.2017, as well as of its financial performance and cash flows for the financial year concluded at that date, according to the applicable accounting regulations, i.e. Regulation 36/2015 for the approval of the Accounting Regulations in respect of individual annual financial statements and the consolidated annual financial statements applicable to insurance and/ or reinsurance brokers ("Regulation 36/2015").

Foundation of the opinion

We have performed our audit according to the International Audit Standards ("ISA"), the EU Regulation No. 537 of the European Parliament and Council (hereinafter referred to

as "the Regulation") and to Law No. 162/2017 ("the Law"). Our responsibilities based on these standards are described in detail in the section "Responsibilities of the Auditor in an audit of the financial statements" from our report. We are independent to the Company, according to the requirements of professional ethics issued by the Council for International Ethic Standards for Accountants (the IESBA code) and we have fulfilled our other professional ethic responsibilities, according to these requirements and to the IESBA code. We think that the audit samples that we have obtained are sufficient and appropriate in order to supply a foundation for our opinion.

Key aspects of the audit

4 The key aspects of the audit are those aspects which, based on our professional reasoning, had the greatest importance for the audit of the financial statements of the current period. These aspects were approached in the context of the financial statements audit as a whole and in forming our opinion in respect of these financial statements and we do not offer a separate opinion in respect of these aspects.

i) Assessment of the receivables

According to the requirements of the applicable accounting regulations, the Company management is performing assertions in respect of the assessment of the receivables presented at the report date, presenting them at the value to which they are expected to be achieved. As mentioned in Point 7 "Commercial receivables and other receivables" of the Notes to the financial statements, there are receivables from various debtors, of which some are overdue. The collection of these receivables and the assessment of the adjustments for the depreciation of the receivables has represented a significant aspect under analyze.

Our answer in respect of the risk of significant misstatement in connection with the assessment of these receivables at the report date, materialized in audit procedures which have envisioned among others:

- Assessing the compliance of revenue recognition policies and commercial receivables;
- procedures for the direct confirmation of the balances of commercial receivables;
- verification of receipts from commercial receivables after the end of the year;
- assessment of internal procedures and methods used by the management in estimating the probable amount of receivable in relation to seniority of claims, customer litigation, and previous customer relationship experience;
- tests to recalculate adjustments for depreciation of receivables for those receivables whose maturity has been exceeded;

- obtaining and evaluating the responses received from lawyers and discussing with the management and the internal legal advisor of the Company the adjustments for depreciation of receivables, where applicable.

ii) Litigations and disputes

In performing its activities, the Company is exposed to potential losses as a consequence of administrative procedures or judicial decrees. As mentioned in Point 18 "Other information" of the Notes to the financial statements, the Company is involved in a series of litigations with business partners or other thirds.

The recognition of certain liabilities in the financial statements or presenting as contingency liability in the explanatory notes to the financial statements involves inherently the making of professional judgments and is based on a series of hypotheses, declarations and assessment of significant impact.

The amounts involved can be considerable. Establishing possible values, to the aim of recognizing or presenting them in the financial statements, is inherently based on a subjective reasoning, too.

Our answer has had in mind the understanding of the risks of significant denaturation existing in connection with the management's assertions in respect of litigations and disputes. Our audit procedures have pursued among others:

- to obtain and to assess the answers gotten from the lawyers and to discuss with the Company management the nature and stage of the litigations, as well as the potential exposures. In this respect, special attention was given to the pending litigation with Asirom (action in claims for the amount of 2.117.832 lei compensation and interest) presented at page 31 of the financial statements on the 31st of December 2018;
- critical assessment of the hypotheses and estimations of the Company in connection with litigations and disputes, the debts or provisions recognized and the contingent liabilities presented in the financial statements;
- assessment of the extent to which the information in the explanatory notes to the individual financial statements regarding litigations and disputes present the potential debts of the Company in an appropriate manner.

Other aspects

- 5 This report is addressed exclusively to the shareholders of the Company as a whole. Our audit was conducted to report to the Company's shareholders those matters that we need to report in a financial audit report, and not for other purposes. To the extent permitted by law, we only accept and assume responsibility to the Company and the shareholders as a whole for our audit, for this report or opinion formed.

- 6 The attached financial statements are not intended to present the financial position and results of operations in accordance with accounting regulations and accounting principles accepted in countries and jurisdictions other than Romania. Therefore, the attached financial statements are not prepared for the use of persons who are not familiar with the accounting and legal regulations in Romania, including Norm ASF no. 36/2015.
- 7 This audit report was issued in circumstances where shares issued by the Company are admitted to trading on BVB.

Other information – Managers’ Report

- 8 The Managers are responsible for compiling and presenting other information This other information includes the Managers’ Report but does not include financial statements and the auditor’s report in respect of these. The Managers are responsible to draw up and to present the Managers’ Report according to the stipulations of Points 427 – 429 Regulation 36/ 2015 and for the internal control deemed by the Managers to be necessary in order to allow the drawing up and presentation of the Managers’ Report which would not include significant misstatements, due to fraud or error.

Our opinion in respect of the financial statements does not cover this information too, and except for the case in which it is explicitly mentioned in our report, we do not express any insurance conclusion in respect of it.

Regarding the audit of the financial statements for the financial year concluded on the 31st of December 2018 our responsibility is to read that other information and, in this approach, to evaluate whether the information is significantly inconsistent with the financial statements or with the knowledge that we have obtained during the audit, or if they seem to be significantly misstated.

In respect of the Managers Report, we have read and report if it is drawn up, in all significant aspects, in compliance with the Regulation 36/ 2015, Points 427 – 429.

Based exclusively on the activities which must be carried out during the audit of the financial statements, in our opinion:

- a) The information presented in the Report for the financial year for which the financial statements were drawn up is consistent, in all significant aspects, with the financial statements;
- b) The Managers’ Report was drawn up, in all significant aspects, in accordance to Regulation 36/ 2015, Points 427 – 429.

In addition, based on our knowledge and understanding of the Company and its environment obtained during the audit, we are required to report whether we have identified material misstatements in the Manager's Report and in relation to that other information obtained before the date of this auditor's report. We have nothing to report regarding of this aspect.

Responsibilities of the management and of the persons in charge with the governance for the financial statements

- 9 The Company Management is responsible for drawing up financial statements which would offer a faithful image according to Standard 36/ 2015 and for the internal control deemed by the Managers to be necessary in order to allow the drawing up of financial statements which would not include significant misstatements, due either to fraud or error.
- 10 In drawing up the financial statements, the Management is responsible for the evaluation of the Company's capacity to continue activity, for the presentation, if applicable, of the aspects referring to the continuation of the activity and for the use of accounting based on the continued activity, except for the case in which the management intends either to liquidate the Company or to stop operations, or has no other realistic alternative beside these two.
- 11 The persons responsible for the governance are responsible for the surveillance of the financial reporting process of the Company.

Responsibilities of the auditor in an audit of the financial statements

- 12 Our aims are to obtain a reasonable insurance regarding the extent to which the financial statements, as a whole, are free of significant misstatements, caused either by fraud or by error, as well as to issue an auditor's report which includes our opinion. The reasonable insurance is a high level of insurance, but is no guarantee of the fact that an audit carried out according to ISA will always detect a significant misstatement, if there is one. Misstatements can be caused either by fraud, or by error, and are considered to be significant if one can reasonably expect that these, individually or together, shall influence the users' economic decisions, taken based on these financial statements.
- 13 As part of an audit according to ISA, we exercise professional judgment and maintain professional skepticism during the audit. Also:
 - We recognize and asses the risks of significant misstatement of the financial statements caused either by fraud or by error, we plan and execute audit

procedures as a response to the respective risks and we obtain sufficient and appropriate audit samples in order to supply a foundation for our opinion. The risk not to detect a significant misstatement caused by fraud is significantly higher than the risk not to detect a significant misstatement caused by error, because fraud may involve secret arrangements, forgery, intentional omissions, untrue statements and avoidance of internal control.

- We understand the internal control relevant for the audit, in order to plan audit procedures appropriate to the circumstances, but without having the goal to express an opinion on the efficiency of the Company's internal control.
- We assess the adequacy of the accounting policies used and the reasonable character of the accounting estimates and of the respective display of information made by the management.
- We draw a conclusion in respect of the adequacy of the use by the management of the accounting based on the continuity of the activity and we determine, based on the audit samples obtained, whether there is a significant uncertainty in respect of events or terms which could generate significant doubts in respect of the Company's ability to continue the activity. If we reach the conclusion that there is a significant uncertainty, then, in the Auditor's report we must draw the attention on the respective representations in the financial statements or, if these representations are inadequate, alter our opinion. Our conclusions are based on the audit samples obtained up to the date of the auditor's report. Still, future events or circumstances may determine de Company not to operate any longer based on the principle of the continued activity.
- We evaluate the presentation, structure and content of the financial statements, including disclosure of information, and the extent to which the financial statements reflect the transactions and events underlying them in a manner that results in a true presentation.

14 We communicate to the persons in charge of governance, among other points of view, the planned area and the scheduling of the audit in due time, as well as the main findings of the audit, including any significant deficiencies of the internal control which we find during the audit.

15 We also supply to the persons in charge of governance a statement regarding our conformity with the ethical requirements regarding independence and we inform in respect of all relations and further aspects which may be reasonably considered to affect our independence and, where applicable, the appropriate safety measures.

16 Of the issues communicated to the persons in charge of governance, we establish which had the greatest importance in auditing the financial statements of the current period and which are considered as key issues of the audit. These issues are described

in our audit report, with the exception of the cases in which the law prohibits the publication of such information or, extremely rare, if we find that a certain issue should not be communicated in our report because the adverse consequences could reasonably exceed the public interest benefits of such communication.

Report in respect of further legal provisions and regulation

17 We were appointed by the Ordinary General Meeting of Shareholders on the 08.06.2017 to audit the financial statements of TRANSILVANIA BROKER DE ASIGURARE S.A. for the financial year concluded on the 31st of December 2018. December 2017. The total uninterrupted duration of our commitment is of 2 years, covering the financial year concluded on the 31st of December 2017 until the 31st of December 2018.

We confirm that:

- Our audit opinion is consistent with the additional report presented to the Company's Audit Committee, which we have issued at the same date on which we have issued this report too. Also, in conducting this audit we have kept our independence to the audited entity.
- We have not supplied for the Company prohibited non-audit services mentioned in Article 5 Paragraph (1) of the EU Regulation No. 537/ 2014.

In the name of RAO AUDIT OFFICE S.R.L.:

registered with the Chamber of the Financial Auditors
of Romania with number 1237/2014

Partner Auditor, Dr. Neag Ramona

registered with the Chamber of the Financial Auditors
of Romania with number 2600/2008

Tg. Mureş, 04.03.2019