

**REPORT OF THE BOARD OF DIRECTORS  
REGARDING THE ECONOMIC - FINANCIAL RESULTS  
IN THE PERIOD 01.01.2020 - 31.12.2020**

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

For the financial year 01.01.2020 - 31.12.2020

Date of report: 16.04.2021

Company name: REGAL S.A.

Headquarters: Galati, 17 Brailei Street, Potcoava de Aur Complex

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

C.U.I. : RO 1647588

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

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

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

**SHARE CAPITAL AND SHAREHOLDER STRUCTURE**

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

According to the situation submitted by Depozitarul Central S.A. as of 31.12.2020, the shareholding structure was according to the table below:

Tab.1. The share capital and the shareholders of the Company

| Shareholder name        | Social capital | Nr. actions | %        |
|-------------------------|----------------|-------------|----------|
| SIF Moldova             | 111.626        | 1.116.258   | 93,0215  |
| Shareholders pers. body | 5.373          | 53.734      | 4,4778   |
| AVAS                    | 2.904          | 29.035      | 2,4196   |
| Legal shareholders      | 97             | 973         | 0,0811   |
| TOTAL                   | 120.000        | 1.200.000   | 100,0000 |

**1. ANALYSIS OF THE ACTIVITY OF THE COMMERCIAL COMPANY**

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

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

- public catering CAEN code 5610;
- rental of own real estate and leasing CAEN code 6820.

No mergers or reorganizations of the company took place during the financial year. During the financial year, the following assets were sold: Bacanie Olt 3 and Terrain A4-A6.

### **1.1.1.Elements of general evaluation**

The economic - financial results at 31.12.2020, compared to 2019 and 2018, are presented in the table below:

(tab.1)

| Nr. crt. | indicator  | accomplished 2018 | accomplished 2019 | 31.12.2020 |              | degree of achiev |
|----------|--|-------------------|-------------------|------------|--------------|------------------|
|          |  |                   |                   | BVC        | accomplished |                  |
| 1        | Fiscal value   | 677360            | 436356            | 464400     | 276893       | 59,62            |
| 2        | Operating income - total                             | 5629554           | 2568208           | 1211400    | 920033       | 75,95            |
| 3        | Operating expenses - total, of which                 | 1954842           | 2467794           | 1219460    | 1034332      | 84,82            |
| a)       | Raw material and material expenses - total           | 13521             | 13041             | 10500      | 13986        | 133,20           |
| b)       | External expenses (energy, water)                    | 15038             | 18684             | 21000      | 13614        | 64,83            |
| c)       | Staff costs  | 553784            | 502949            | 512450     | 388269       | 75,77            |
| d)       | Adjustments for intangible and tangible fixed assets | 125486            | 250015            | 235000     | 240084       | 102,16           |
| e)       | Other operating expenses, of which:                  | 1247013           | 1683105           | 440510     | 378379       | 85,90            |
|          | - expenses regarding external services               | 161964            | 134522            | 129210     | 105145       | 81,38            |
|          | - expenses other taxes and fees                      | 76302             | 55592             | 41000      | 43174        | 105,30           |
|          | - other expenses                                     | 1008747           | 1492991           | 270300     | 230060       | 85,11            |
| 4        | Operating profit / loss                              | 3674439           | 100414            | -8060      | -114299      | 1418,1           |
| 5        | Financial income - total                             | 26337             | 71888             | 27100      | 38562        | 142,30           |
| 6        | Financial expenses - total                           | 9889              | 113               | 3000       | 9738         | 324,60           |
| 7        | Financial profit / loss                              | 16448             | 71775             | 24100      | 28824        | 119,60           |
| 8        | Total income   | 5655891           | 2640096           | 1238500    | 958595       | 77,40            |
| 9        | Total expenses                                       | 1964731           | 2467907           | 1222460    | 1044070      | 85,41            |
| 10       | Gross profit / loss                                  | 3691160           | 172189            | 16040      | -85475       | -                |
| 11       | Income tax   | 579927            | 245521            | 2570       | 46041        | 1791,4           |
| 13       | Net profit / loss (a) reporting period               | 3111233           | -73332            | 13470      | -131516      | -                |

#### **a) Profit**

The company registered on 31.12.2020 a loss in the amount of 131,516 lei compared to a net profit in the amount of 13,470 lei provided in BVC. By activities, the profit situation is as follows:

- 1) From the basic activity compared to a profit of 154,400 lei provided in BVC, a loss of 237,670 lei was achieved following the declaration of the state of emergency and the state of alert during the COVID19 pandemic period and the reduction of the rental income.
2. At the activity of active sales, the gross profit realized is 197,292 lei with 146,408 lei less than the profit approved by bvc of 343,700 lei. The company had approved in 2020 the sale of 3 assets: Bacania Olt3, Sifonarie Olt3 and BAR L2, but the only asset sold was Bacania Olt3.
3. In terms of other activities, the company made a profit of 97,029 lei compared to a budgeted loss of 17,210 lei.

3. The company registered on 31.12.2020 a financial profit amounting to 28,824 lei, 4,724 lei higher than the budgetary provision.

### **b) Fiscal value**

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

(tab.2)

| <b>Indicator</b>             | <b>acc. 2018</b> | <b>acc. 2019</b> | <b>BVC 2020</b> | <b>acc. 2020</b> | <b>acc.2020/<br/>BVC2020</b> | <b>acc.2020/<br/>acc.2019</b> | <b>acc.2020/<br/>acc.2018</b> |
|------------------------------|------------------|------------------|-----------------|------------------|------------------------------|-------------------------------|-------------------------------|
| <b>Fiscal value</b>          | <b>677360</b>    | <b>436356</b>    | <b>464400</b>   | <b>276893</b>    | <b>59,62</b>                 | <b>63,46</b>                  | <b>40,88</b>                  |
| Revenue sales goods          | -                | -                | -               | -                | -                            | -                             | -                             |
| Rental income                | 677360           | 436356           | 464400          | 276893           | 59,62                        | 63,46                         | 40,88                         |
| Income from other activities | -                | -                | -               | -                | -                            | -                             | -                             |

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

(tab.3)

| <b>Indicator</b>      | <b>accomplished 2018</b> | <b>accomplished 2019</b> | <b>accomplished 2020</b> |
|-----------------------|--------------------------|--------------------------|--------------------------|
| Cifra de afaceri      | 100.00%                  | 100.00%                  | 100.00%                  |
| Venit.vanzari marfuri | -                        | -                        | -                        |
| Venit.chirii          | 100.00%                  | 100,00%                  | 100,00%                  |
| Venit.alte activitati | -                        | -                        | -                        |
|                       |                          |                          |                          |

c) Export: the company has no export activity.

d) Export costs: not applicable.

e) Market share held: S.C. Regal S.A. operates in the city of Galati.

d) Liquidity:

Analyzing this indicator on 31.12.2020 we find the following:

- the current liquidity is 4.66, lower than the current liquidity of 6.86 in 2019.

- the immediate liquidity is 4.62, lower than the immediate liquidity of 6.86 in 2019.

The value of both indicators is lower in 2020 compared to 2019, which demonstrates that the company can cover its current liabilities from current assets (the acceptable recommended value being around 2).

The cash in the house and in bank accounts are on 31.12.2020 in the amount of 1,886,016 lei by 1,974,691 lei lower compared to 31.12.2019, following the payment of dividends and profit tax for 2019.

### **1.1.2. Evaluation of the technical level of the company**

The company Regal SA owns a number of 5 commercial spaces + administrative headquarters, with a built-up area of 2,214.50 sqm, a land related to a former agri-food market in the French Quarter with an area of 5311 sqm.

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

In accordance with the Activity Program for 2020 approved by the shareholders, the Board of Directors of the company based a strategy to ensure the sustainable development of the Royal company as follows:

1. Renting spaces with potential in obtaining income and profits,
2. Selling spaces without rental potential or with high maintenance costs.
3. Investment proposal for the spaces that remain in the company.
4. Tracking the collection of rents at the terms established by the contract and calculating the delay increases for the amounts collected late.
5. Termination of contracts and taking over the spaces for bad paying tenants.

### **1.1.3.Evaluation of the technical - material supply activity**

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

### **1.1.4.Evaluation of the sales activity**

#### **Table with the sale of assets**

| Asset category sold       | Inventory value (lei) | Unamortized value (lei) | Come for sale (lei) | Gross profit (lei) |
|---------------------------|-----------------------|-------------------------|---------------------|--------------------|
| Bacanie Olt 3             | 294.900               | 258.941                 | 428.533             | 169.592            |
| Teren A4-A6*              | 44.300                | 44.300                  | 72.000              | 27.700             |
| <b>Total active sales</b> | <b>339.200</b>        | <b>303.241</b>          | <b>500.533</b>      | <b>197.292</b>     |

\* We specify that the auction regarding the sale of the A4-A6 land took place on 20.12.2019, being received an advance in the amount of 7,181 lei, and the sale-purchase contract was concluded in January 2020, the difference in value awarded in the amount of 64,819 lei was collected on 13.01.2020.

### **1.1.5.Evaluation of the company's staff**

Regal S.A. Galati on 31.12.2020 has a number of 3 persons employed with an employment contract for an indefinite period with part-time jobs (7 hours). During the year 2020, respectively with the date of 19.06.2020, the position of driver was abolished according to the CA Decision no. 11/14/07/2020. The synthetic situation of the staff on 31.12.2020 is as follows:

1. TESA staff = 3 people;

The relations between the management and the employees were normal, there were no conflicts.

The labor force within the society is not unionized.

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### **1.1.6. Assessment of environmental issues**

REGAL S.A. Galati through its basic activity has no impact on the environment and there are no disputes regarding the violation of the legislation on environmental protection.

### **1.1.7 Evaluation of the research and development activity.**

It's not necessary.

### **1.1.8. Evaluation of the company's activity regarding risk management**

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

The Royal Liquidity Policy is to maintain sufficient resources to meet its obligations at maturity.

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

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

Financing risk

The financing of the Royal activity is sufficiently ensured through its own sources of liquidity.

The company holds sufficient assets to guarantee liquidity and is protected against the potential risk determined by the reduction of the assets value.

Price risk is influenced by company costs.

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

levels.

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

A - Profit variability

B - The company's ability to meet the commitments made.

The company's capacity to meet the commitments assumed towards third parties (risk of bankruptcy) can be assessed by:

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

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

Liquidity indicators in 2020 are 4.66 (current liquidity) and 4.62 (immediate liquidity), respectively.

b) the degree of indebtedness of the company is zero, not having contracted credits.

2. Dynamic analysis of cash flows:

a) The inflow or outflow of cash flows shows the company's ability to control working capital and the company's core business activities.

The stock turnover rate in 2020 is 0. days.

b) The turnover rate of debtors-clients calculates the company's efficiency in collecting receivables, and in 2020 it is 107.61 days.

c) The turnover rate of creditors-suppliers estimates the credit obtained from suppliers and in 2020 is 14.38. days.

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|  |   |        |
|--|---|--------|
| 1. Current liquidity indicator                 | - | 4,66   |
| 2. Immediate liquidity indicator               |   | 4,62   |
| 3. The degree of indebtedness indicator        | - | 4,84   |
| 4. Stock turnover rate                         |   | 0,00   |
| 5. Flow speed - customers                      |   | 107,61 |
| 6. <i>Speed of rotation of temporary loans</i> |   | 14,38  |
| 7. Rotation speed of fixed assets              |   | 0,03   |
| 8. Rotation speed of total assets              |   | 0,03   |
| 9. Gross sales margin                          |   | 0,00   |

The company had on 31.12.2020 deposits constituted in the amount of 1,801,812 lei.

### **1.9. Perspective elements regarding the company's activity**

Analyzing trends, elements, events and uncertainty and risk factors which could affect the company's liquidity we find that there are no signs of concern.

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

The financial statements present in the note of Subsequent Events the Company's analysis on the effect of the CoVid-19 pandemic on the economic activity, performance and financial position of the Company for a period of at least 12 months from 31.12.2020

## **2. Tangible assets (constructions) belonging to the company on 31.12.2020:**

| <b>Nr. Crt.</b> | <b>Commercial space</b> | <b>Water debts</b> | <b>District heating debts</b> | <b>Electricity debts</b> | <b>Degree of wear (%)</b> |
|-----------------|-------------------------|--------------------|-------------------------------|--------------------------|---------------------------|
| 1               | Sediul Potcoava         | -                  | -                             | -                        | 47,62                     |
| 2               | Terasa Intim            | -                  | -                             | -                        | 20.83                     |
| 3               | Terasa Tineretului      | -                  | -                             | -                        | 40.21                     |
| 4               | Sifonarie Olt 3         | -                  | -                             | -                        | 86.30                     |
| 5               | Rest. Elite             | -                  | -                             | -                        | 47,62                     |
| 6               | Bar L2                  | -                  | -                             | -                        | 80.92                     |

Restaurant Orient is 100% worn and is proposed for demolition

On 31.12.2020 the company had property titles for all lands.

The 2020 Balance Sheet includes the results of the revaluation of buildings and land, at fair value. The additional influence on buildings is 348,533 lei and on land is 829,731 lei total influential 1,178,264 lei.

## **3. The securities market issued by the company**

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

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

SC REGAL SA manages the dividend distribution process, within the legal deadlines and by establishing payment methods that ensure a high degree of payment; in this sense

we specify that:

(1) every year, SC REGAL SA announces to the shareholders, repeatedly (through Press Releases, through GMS materials), regarding the dividend payment terms; the payment action takes place during the entire financial year;

(2) through the payment methods used, we try to ensure a constant payment percentage as high as possible and to obtain as low costs as possible for the shareholders for distribution.

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

Each year, the dividends related to the financial year ended are distributed together with the non-distribution dividends related to the previous 2 financial years. At the end of 3 years, in accordance with the legislative provisions regarding the extinctive prescription, the board of directors informs the shareholders annually, their registration at "other income".

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

#### **Informing shareholders about the level of dividend tax**

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

- „if a taxpayer is a resident of a country with which Romania has concluded an agreement for the avoidance of double taxation, the tax rate applicable to the taxable income obtained by that taxpayer in Romania may not exceed the tax rate provided in the convention applicable to that income. Where there are different rates of taxation in national law or in double taxation conventions, more favorable rates of taxation shall apply. "

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

The following incomes are exempt from the income tax obtained in Romania:

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

b) dividends paid to pension funds, as they are defined in the legislation of the Member



State of the European Union or in one of the states of the European Free Trade Association.

Gross dividends recorded in the last three years.

| <b>Nr.crt.</b> | <b>Shareholders</b>     | <b>2018</b> | <b>2019</b> | <b>2020</b> |
|----------------|-------------------------|-------------|-------------|-------------|
| 1              | SIF MOLDOVA             | 2.656.694   | 1.951.520   | -           |
| 2              | AVAS                    | 69.103      | 50.761      | -           |
| 3              | Actionari pers.fizice   | 127.887     | 93.942      | -           |
| 4              | Actionari pers.juridice | 2.316       | 1.701       | -           |
|                | Total                   | 2.856.000   | 2.097.924   | -           |

### 3.3 Redemption of shares

This is not the case - the Company has not acquired its own shares on the market.

### 3.4 Shares held in the parent company

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

### 3.5 Debt securities held with the parent company

Not applicable - The company did not issue debt securities or bonds.

## **4. 4. MANAGEMENT OF THE COMPANY**

The company is managed by a Board of Directors composed of three members, elected by the general meeting of shareholders for a period of 4 years, with the possibility of being re-elected. The members of the Board of Directors concluded with the Company management contracts for the period 15.09.2018-15.09 2022. The General Manager is appointed by the general meeting of shareholders for a period of 4 years, with the possibility of extension of the mandate, concluded with the company management contract for the period 15.09.2019-15.09.2022.

4.1. The board of directors of the company consists of:

Esanu Vasile Romeo President of the Board

Albastrel Mikhaela Member

Nijnic Marin Ilie Member

#### 4.1. 4.1. The executive management is ensured by:

Trandafir Elena General Manager

The total amounts collected during 2020 by the Board of Directors and the Executive Management are presented in the table below.

NET AMOUNTS received by Directors and General Manager in 2020:

| Nr. Crt.      | Name surname      | Function         | Total net amounts from which: | Participate in profit year 2019 | allowancesCA /DIR. GEN |
|---------------|-------------------|------------------|-------------------------------|---------------------------------|------------------------|
| Payment month |                   |                  |                               | aprilie 2020                    |                        |
| 1             | Esanu Romeo       | Presedinte C.A   | 40.951                        | 15.751                          | 25.200                 |
| 2             | Albastrel Mikhela | Membru C.A       | 10.502                        | 2.102                           | 8.400                  |
| 3             | Nijnic Marin Ilie | Membru C.A       | 10.502                        | 2.102                           | 8.400                  |
| 4             | Trandafir Elena   | Director General | 82.823                        | 19.823                          | 63.000                 |
| TOTAL         |                   |                  | 144.778                       | 39.778                          | 105.000                |

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

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

There is no agreement, understanding or family connection between the Company's directors.

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

During 2020, 17 meetings of the Board of Directors took place.

### **5. Financial situation - accounting**

- a) Regarding the evolution of the financial potential of the company for the last three years (2018,2019,2020) we mention the data from the following table:

| <b><i>The evolution of the financial potential</i></b> | <b>2018</b> | <b>2019</b> | <b>2020</b> |
|--|-------------|-------------|-------------|
| 1. TOTAL ASSETS  | 9.179.082   | 10.797.233  | 9.611.057   |
| 1.1. Fixed assets                                      | 4.479.903   | 7.407.174   | 8.069.016   |
| 1.2. Net current assets                                | 4.699.179   | 3.390.059   | 1.542.041   |
| - availability   | 5.367.813   | 3.860.707   | 1.886.016   |
| 1.3. Regularization accounts                           | -           | -           | -           |
| 2. TOTAL LIABILITIES                                   | 9.037.096   | 10.662.233  | 9.611.057   |
| 2.1. Equity  | 9.037.096   | 10.662.233  | 9.611.057   |
| 2.2. Total obligations                                 | -           | -           | -           |
| 2.3. Settlement accounts                               | -           | -           | -           |
| 2.4. Provisions  | 141.986     | 135.000     | -           |

### **Current assets situation**

#### 1) Inventory situation

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

Based on the decision no. 7 of 30.10.2020, the inventory of the patrimony was carried out. There were no differences in the capitalization of inventories.

#### 2) The situation of receivables

| <b><i>Nr.crt</i></b> | <b><i>NAME OF INDICATORS</i></b> | <b><i>THE AMOUNT</i></b> |
|----------------------|----------------------------------|--------------------------|
| 1                    | Debtor suppliers                 | -                        |
| 2                    | Customers - adjustments          | 20.928                   |
| 3                    | Tax                              | -                        |
| 4                    | Debtors - adjustments            | -                        |
| 5                    | VAT collected (recoverable)      | 6.954                    |

|   |  |               |
|---|--|---------------|
| 6 | Special receipts from the budget (medical leave) | 1.425         |
| 7 | Interest receivable                              | 807           |
|   | <b>T O T A L</b>                                 | <b>30.114</b> |

Debt recovery period on 31.12.2020 = 39.80 days <59.23 days on 31.12.2019

3) The situation of the company's debts

| <b>Nr.crt</b> | <b>NAMING OF THE INDICATORS</b>             | <b>TOTAL</b>   | <b>UP TO 1 YEAR</b> | <b>OVER 1 YEAR</b> |
|---------------|---|----------------|---------------------|--------------------|
| 1             | Suppliers for the current activity          | 20.460         | 20.460              | -                  |
| 2             | Suppliers of incoming invoices              | 48.967         | 48.967              | -                  |
| 3             | Customer creditors                          | -              | -                   | -                  |
| 4             | Debts with staff                            | 3.751          | 3.751               | -                  |
| 5             | Material guarantees                         | 28.395         | 28.395              | -                  |
| 6             | Social insurance debts                      | 9.099          | 9.099               | -                  |
| 7             | VAT payable                                 | -              | -                   | -                  |
| 8             | Payroll tax                                 | 1.593          | 1.593               | -                  |
| 9             | Tax profit                                  | 30.479         | 30.479              | -                  |
| 10            | Dividend tax                                | 3.993          | 3.993               | -                  |
| 11            | Settlements with shareholders               | 24.069         | 24.069              | -                  |
| 12            | Silver dividend                             | 208.482        | 208.482             | -                  |
| 13            | Loans and similar debts                     | 37.125         | 37.125              | -                  |
| 14            | Various creditors                           | 336            | 336                 | -                  |
| 15            | Settlement within the group (anticipations) | -              | -                   | -                  |
|               | <b>T O T A L</b>                            | <b>416.749</b> | <b>416.749</b>      | <b>-</b>           |

Debt rotation period on 31.12.2020 = 550.86 days > 482.96 days on 31.12.2019

b) The profit and loss account for the last three years (2018, 2019, 2020) expresses the economic-financial evolution of the company according to the data in the table below:

| <b><i>The evolution of the financial potential</i></b> | <b>2018</b> | <b>2019</b> | <b>2020</b> |
|--|-------------|-------------|-------------|
| I. TOTAL INCOME, of which:                             | 5.655.891   | 2.640.096   | 958.595     |
| - Fiscal value   | 677.360     | 436.356     | 276.893     |
| 1.1. Operating income                                  | 5.629.554   | 2.568.208   | 920.033     |
| - sales of goods                                       | -           | -           | -           |
| - production income                                    | -           | -           | -           |
| - rental and leasing income                            | 677.360     | 436.356     | 276.893     |
| - income from various activities                       | -           | -           | -           |
| - income from executed works                           | -           | -           | -           |
| - other income (active sales) *                        | 4.952.194   | 2.131.852   | 643.140     |
| 1.2. Financial income                                  | 26.337      | 71.888      | 38.562      |
| II. TOTAL EXPENDITURE, of which:                       | 1.964.731   | 2.467.907   | 1.044.070   |
| - expenses regarding goods                             | -           | -           | -           |
| - material expenses                                    | 28.559      | 31.725      | 27.600      |
| - staff costs  | 553.784     | 502.949     | 388.269     |
| - expenses for third party services                    | 161.964     | 134.522     | 105.145     |
| - expenses with taxes and fees                         | 76.302      | 55.592      | 43.174      |
| - depreciation expenses                                | 125.486     | 250.015     | 240.084     |
| - other operating expenses *                           | 1.008.747   | 1.492.991   | 230.060     |
| 2. Financial expenses                                  | 9.889       | 113         | 9.738       |
| 3. Extraordinary expenses                              | -           | -           | -           |
| III. GROSS PROFIT                                      | 3.691.160   | 172.189     | -85.475     |
| IV. PROFIT TAX   | 579.927     | 245.521     | 46.041      |
| V. NET PROFIT  | 3.111.233   | -73.332     | -131.516    |

\* During 2020, the company sold two tangible assets with an unamortized value of 303,241 lei, the cost of disposal and gross income in the amount of 500,533 lei being included in the line "Other operating income" in the financial statements, thus obtaining a net gain following the transaction of 197,292 lei.

According to the table above, in the analyzed period, Regal SA obtained total revenues in the amount of 958,595 and recorded total expenses in the amount of 1,044,070 lei, resulting in a gross loss in the amount of 85,475 lei. The calculated profit tax is 46,041 lei, resulting in an accounting loss in the amount of 131,516 lei.

#### a) INCOME

Analyzing the revenues of the financial year 2020, it is observed that 52.22% of the total revenues are represented by the revenues obtained from the sales of assets, 28.89% represent the revenues from rents, 4.02% the financial revenues and 14.86% from other revenues.

Analyzing the revenues obtained in 2020 compared to those obtained in 2019, it is found that in 2020, total revenues lower by 1,681,501 lei were obtained.

As a result of the fact that in 2019 there were revenues from the sale of assets higher than the revenues from the sale of assets in 2020, the influence coming from the registration of the revaluation of assets at fair value from 31.12.2019

On 31.12.2020, the availabilities were in the amount of 1,886,016 lei, with 1,974,691 lei lower than at the beginning of the year.

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

- Banca Comerciala Romana (Ideal) - 809,905 lei
- Banca Comerciala Romana (guarantees) - 28,395 lei
- Bank Guarantee - 477,007 lei
- First Bank - 514,900 lei

#### b) COSTS

The total expenses made in the analyzed period in the amount of 1,044,070 lei (annex 1) did not meet those forecasted in the BVC for 2020, being achieved in a percentage of 85.41%.

Compared to 2019, they were achieved in a percentage of 42.31%.

The financial expenses in 2020 have the value of 9,738 lei.

#### c) PROFIT

The activity of Regal Galati in the financial year 2020 ended with a gross loss of 85,475 lei, the profit tax was 46.41 lei, registering an accounting loss in the amount of 131,516 lei,

The main cause for this result was the non-realization of the rental income in a percentage of 40.38%, following the effect of the CoVid-19 pandemic in the economic activity.

#### INVESTMENT

On 31.12.2020, the company incurred expenses for investments in a total amount of 26,246 lei, representing:

- advance of the technical expertise, historical study in the amount of 14,150 lei necessary for the legalization of the construction authorization at the Youth Terrace,
- waterproofing works at the Youth Terrace in the amount of 12,096 lei.

### Name of the external financial auditor

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

The financial statements as at 31.12.2020 were audited.

### Litigation situation

Throughout the year, the company made efforts to collect through the account and through the compensation system, and for the bad payers, they were routinely sued, based on the monthly information prepared by the financial office for the legal office.

Six debtors are being enforced.

Provisions have been set up for clients and debtors who have not paid their obligations to the company and with cases pending. As at 31.12.2020, the balance of the provision accounts is in the amount of 56,325 lei.

SITUATION LIST OF ROYAL DISPUTES SA existing on 31.12.2020. Files pending:

| <i>Nr crt</i> | <i>Nr. folder</i> | <i>Claimant</i> | <i>Defendant</i>         | <i>the reason dispute</i> | <i>Value claims (lei)</i> | <i>Instance</i> | <i>stage current</i>              |
|---------------|-------------------|-----------------|--------------------------|---------------------------|---------------------------|-----------------|-----------------------------------|
| 1             | 11884/233/2017    | REGAL SA        | BRATES PRUT FRUMUSITA SA | claims                    | 64.040,00                 | Tribunalul GI   | Forced execution                  |
| 2             | 625/324/2020      | REGAL SA        | VITIMAS SA               | claims                    | 76.513,00                 | Tribunalul GI   | Action allowed                    |
| 3             | 1611/121/2016     | REGAL SA        | ARCBLANK SRL             | debt                      | 19.440,00                 | Tribunalul GI   | In progress                       |
| 4             | 23925/233/2019    | REGAL SA        | DIMA VIOREL              | claims                    | 10.303,00                 | Judecatoria GI  | Admitted agreement of the parties |
| 5             | 12390/233/2020    | REGAL SA        | BRATES PRUT FRUMUSITA SA | claims                    | 71.090,00                 | Judecatoria GI  | In progress                       |

### Changes in the Company

No significant changes in the shareholding structure took place in the Company and no events occurred under the incidence of Law no. 64/1995.

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

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

The economic-financial operations regarding the expired financial year were recorded in legal and accounted documents, as it results from the synthetic balance and the accounting balance prepared on 31.12.2020 the preparation of the balance sheet was taken into

account by art.28 of Law 82/1991, republished.

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

No offsets were made between the balance sheet accounts or between the income and expenses of the profit and loss account.

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

The financial statements as of 31.12.2020 provide a true picture of the financial position, financial performance and other information regarding the activity carried out.

The activity report has the following annexes:

1. Degree of achievement of BVC for 2020
2. Financial statements as at 31.12.2020 (Balance sheet, CPC, Notes to the financial statements)
3. Cash Flow
4. PGC Declaration
5. Administrator CVs

Chairman of the Board,  
Esanu Vasile Romeo



## SITUATION OF THE DEGREE OF REALIZATION OF BVC. FOR THE YEAR 2020

| Nr. crt. | Specification                      | Accompl. 31.12.2019 | 31.12 2020 |          | Gr. accompl. (%) |
|----------|------------------------------------|---------------------|------------|----------|------------------|
|          |                                    |                     | BVC        | Accompl. |                  |
| I.       | TOTAL INCOME                       | 2640096             | 1238500    | 958595   | 77.40            |
| 1.       | Operator income, of which:         | 2568208             | 1211400    | 920033   | 75.95            |
| a        | Income from assets. the base       | 436356              | 464400     | 276893   | 59.62            |
|          | - retail sales.                    | -                   | -          | -        | -                |
|          | - production income                | -                   | -          | -        | -                |
|          | - income, rentals                  | 436356              | 464400     | 276893   | 59.62            |
| b        | Income from other activities       | 2131852             | 747000     | 643140   | 86.10            |
|          | - income from assets. div.         | -                   | -          | -        | -                |
|          | - assets for sale                  | 2019000             | 696000     | 500533   | 71.92            |
|          | - other incomes                    | 112852              | 51000      | 142607   | 279.62           |
| 2        | Financial income                   | 71888               | 27100      | 38562    | 142.30           |
|          | - interest income                  | 57414               | 21000      | 31947    | 152.13           |
|          | - income from financial investment | 7106                | 4000       | 2970     | 74.25            |
|          | -come different course             | 4389                | 0          | 2495     | -                |
|          | -come dividends received           | 2979                | 2100       | 1150     | 54.76            |
|          | - income. from discounts           | -                   | -          | -        | -                |
| II.      | Costs TOTAL                        | 2467907             | 1222460    | 1044070  | 85.41            |
| 1.       | Operating expenses                 | 2467794             | 1219460    | 1034332  | 84.82            |
| a        | Material expenses                  | 31725               | 10500      | 13986    | 133.20           |
|          | merchandise expenses               | -                   | -          | -        | -                |
|          | - material costs                   | 31725               | 10500      | 13986    | 133.20           |
| b        | Costs with the staff               | 502949              | 512450     | 388269   | 75.77            |
| c        | Chelt. depreciation                | 250015              | 235000     | 240084   | 102.16           |
| d        | Taxes and fees.                    | 55592               | 41000      | 43174    | 105.30           |
| e        | Chelt.active concessions           | 1448825             | 352300     | 303241   | 86.07            |
| f        | Other expenses                     | 178688              | 68210      | 45578    | 73.12            |
| 2.       | Financial expenses                 | 113                 | 3000       | 9738     | 324.60           |
| 3.       | Extraordinary expenses             | -                   | -          | -        | -                |
| III      | GROSS PROFIT                       | 172189              | 16040      | -85475   | -                |
| IV       | TAX                                | 245521              | 2570       | 46041    | 1791.48          |
| V        | NET INCOME                         | -73332              | 13470      | -131.516 | -                |



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# Independent Auditors' Report

(free translation<sup>1</sup>)

## To the Shareholders of REGAL SA

Galati, str. Brailei, nr. 17, Complex "Potcoava de aur"  
Unique Registration Code: 1647588

### Opinion

1. We have audited the financial statements of REGAL SA ("the Company"), which comprise the condensed balance sheet as at 31 December 2020, the condensed income statement for the year then ended, and notes, comprising significant accounting policies and other explanatory information.
2. The financial statements as at and for the year ended 31 December 2020 are identified as follows:
  - Total equity: Lei 9,611,057
  - Net loss for the year: Lei -131,516
3. In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2020, and of its financial performance for the year then ended in accordance with the Order of Minister of Public Finance No. 1802/2014 for approval of accounting regulations regarding the annual separate financial statements and annual consolidated financial statements and related amendments ("OMPF no. 1802/2014").

### Basis for Opinion

4. We conducted our audit in accordance with International Standards on Auditing ("ISAs") and Law no. 162/2017 ("the Law"). Our responsibilities under those standards and regulations are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with *International Ethics Standards*

<sup>1</sup> TRANSLATOR'S EXPLANATORY NOTE: The above translation of the auditors' report is provided as a free translation from Romanian which is the official and binding version.

Board for Accountants International Code of Ethics for Professional Accountants (including International Independence Standards) ("IESBA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Romania, including the Law and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Key Audit Matters

5. Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

### Measurement of Land and Buildings

As at 31 December 2020: Tangible non-current assets – RON 8,064,304 ; Revaluation reserves – RON 7,534,835 (as at 31 December 2019: Tangible non-current assets – RON 7,403,465; Revaluation reserves – RON 6,866,505).

See Notes 2.B (g) and 3.2 to the financial statements.

| The key audit matter  | How the matter was addressed in our audit   |
|---|---|
| <p>The carrying amount of land and buildings (classified as property, plant and equipment and investment properties), carried under the revaluation model, represents a significant portion of the Company's total assets.</p> <p>The Board of Directors' assessment of the fair value of the above assets is based on valuations performed by an external property appraiser. The fair values are determined:</p> <ul style="list-style-type: none"> <li>— For land - by reference to the assets' market values, based on the prices observed in recent transactions with similar assets.</li> <li>— For buildings (commercial real estate) - based on the income method (discounted future cash flow (DCF) projections).</li> </ul> <p>Therefore, the determination of these fair values involves application of significant management judgement, such as the selection of comparable assets and transactions (and any adjustments to those transaction prices to reflect the assets' specific attributes), as well as the assumptions underlying the DCF projections, such as those in respect of the expected future rental income, discount and capitalization rates applied.</p> <p>We identified measurement of land and building as a key audit matter because of the magnitude of the amounts involved and the fact that the fair valuation is inherently subjective. These factors</p> | <p>Our audit procedures in the area, performed with the assistance from our valuation specialists, included, among others:</p> <ul style="list-style-type: none"> <li>— evaluating design and implementation of key relevant internal controls in the process of measurement of land and buildings;</li> <li>— evaluating the competence, experience and objectivity of the external appraiser engaged by the Company, the scope of his engagement and respectively whether there have been any limitations, which, in our view could impact the results of the evaluation;</li> <li>— assessing the appropriateness of the valuation methodology applied by the Company against the requirements of the financial reporting framework and market practice. As part of the above, we identified the relevant methods, assumptions and sources of data, and assessed whether such methods, assumptions, data and their application are appropriate in the context of the said requirements;</li> <li>— challenging the key assumptions used in the valuation, by means of: <ul style="list-style-type: none"> <li>• For land – challenging the selection of comparable transactions, tracing related fair value amounts as determined by the Company to market transaction data and</li> </ul> </li> </ul> |

|  |   |
|--|---|
| <p>increase the risk of material misstatement or potential for management bias, and as such required our increased attention in the audit.</p> | <p>assessing reasonableness of any related adjustments for size and location;</p> <ul style="list-style-type: none"> <li>● For buildings - challenging key estimates and assumptions in the DCF models, including market rentals, vacancy rate, and discount and exit capitalization rates, by reference to publicly available market data and government produced market statistics;</li> </ul> <p>— assessing the adequacy and accuracy of the fair value-related financial statements disclosures against the requirements of the financial reporting framework.</p> |
|--|---|

### Other information – Board of Directors' Report

6. The Board of Directors is responsible for the preparation and presentation of other information. The other information comprises the Board of Directors' Report, but does not include the financial statements and our auditors' report thereon.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

With respect to the Board of Directors' Report we read and report whether the Board of Directors' Report is prepared, in all material respects, in accordance with OMPF no. 1802/2014, articles 489 – 492 of the accounting regulations regarding annual separate financial statements and annual consolidated financial statements.

Based solely on the work required to be undertaken in the course of the audit of the financial statements, in our opinion:

- a) The information given in the Board of Directors' Report for the financial year for which the financial statements are prepared is consistent, in all material respects, with the financial statements;
- b) The Board of Directors' Report has been prepared, in all material respects, in accordance with OMPF no. 1802/2014, articles 489 – 492 of the accounting regulations regarding annual separate financial statements and annual consolidated financial statements.

In addition, in light of the knowledge and understanding of the Company and its environment obtained in the course of our audit we are required to report if we have identified material misstatements in the Board of Directors' Report. We have nothing to report in this regard.

### Responsibilities of Management and Those Charged with Governance for the Financial Statements

7. Management is responsible for the preparation of financial statements that give a true and fair view in accordance with OMPF no. 1802/2014 and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material

misstatement, whether due to fraud or error.

8. In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.
9. Those charged with governance are responsible for overseeing the Company's financial reporting process.

### **Auditors' Responsibility for the Audit of the Financial Statements**

10. Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.
11. As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:
  - Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
  - Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
  - Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
  - Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
  - Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
12. We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
13. We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.



14. From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditors' report is RUBELI IRINA.

**Refer to the original signed Romanian version**

**For and on behalf of KPMG Audit S.R.L.:**

**RUBELI IRINA**

registered in the electronic public register of  
financial auditors and audit firms under no  
AF4092

Bucharest,  
16 March 2021

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