



BURSA DE VALORI BUCUREȘTI

Bucharest, April 2014

BUDGET AND BUSINESS PLAN 2014

www.bvb.ro

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DISCLAIMER

This document was translated from Romanian. The Romanian version of the “*Budget and Business Plan 2014*” is the official document.

CHAPTER I

PRESENTATION OF THE BUDGET FOR 2014

1.1 INFORMATION ABOUT THE COMPANY

Legal entity	SC BURSA DE VALORI BUCUREȘTI SA
Main activity	Administration of financial markets
CAEN code	6611
Sole Registration Code	17777754
Trade Register no	J40/12328/2005
Address	34-36 Carol I Blvd., floors 13-14, District 2, Bucharest
Symbol	BVB
ISIN	ROBVBAACNOR0

The Bucharest Stock Exchange (BVB) was established based on the Decision of the National Securities Commission (NSC) no. 20/1995. BVB was created as a public non-profit institution and in 2005 it became a joint stock company. The shares of the Bucharest Stock Exchange were admitted on BVB's spot regulated market on June 8, 2010. The Company's main activity is the administration of financial markets. BVB is the largest market operator in Romania.

The Bucharest Stock Exchange operates several markets:

- a spot regulated market where financial instruments such as shares and rights (issued by international and Romanian entities), debt instruments (corporate, municipality and government bonds issued by Romanian entities and international corporate bonds), UCITs (shares and fund units), structured products, tradable UCITS (ETFs) are traded;
- a regulated derivatives market where futures contracts for shares, indices, commodities and exchange rates can be traded;
- an alternative trading system (ATS), where foreign stocks listed on other markets and securities issued by Romanian companies not qualified for the regulated market are traded;
- RASDAQ market where shares and rights issued by Romanian entities are traded, most of them coming from the mass privatization programme.

BVB's operating revenues are generated mainly from the trading of all the listed financial instruments, from fees charged to issuers for the admittance and maintenance to the trading system, as well as from data vending to various users.

BVB was included in several indices: FTSE Mondo Visione Exchanges Index, on November 9, 2010, BET Index, on March 21, 2011, Dow Jones Global Exchanges Index, on June 17, 2011, ROTX Index on September 19, 2011 and since July 3, 2012, BVB is also part of BET-BK.

1.2 MAIN FINANCIAL INDICATORS BUDGETED FOR 2014

Indicators		Budget 2014	2013	Change 2014 vs. 2013
Individual profit and loss account				
Operating revenues	Thousand RON	25,148	24,412	3.0%
Operating expenses	Thousand RON	16,184	16,280	-0.6%
Operating profit	Thousand RON	8,964	8,132	10.2%
Financial profit	Thousand RON	2,691	2,899	-7.2%
Net profit	Thousand RON	9,952	9,484	4.9%
Performance indicators				
Earnings per share	RON	1.30	1.24	4.9%
Operating margin	%	36%	33%	-
Net margin	%	40%	39%	-

The year of 2013 was a turning point for the Bucharest Stock Exchange towards a new stage of development, after implementing a wide array of measures designed to improve its efficiency and set the ground for sustainable organic growth. The internal reorganization was finalized during the last quarter of the year, while decision making and operating flows are being gradually improved and optimized within the organization.

2014 is expected to be a year of ambitious projects, as detailed in the following chapters. A three-pillar action plan has been established, laying down the strategy to be followed, which is serving BVB's Measures of Strategic Objectives. The efficiency of these Measures will be stemming from the elimination of the already identified eight systemically important Barriers, for the removal of which a working group was set up, drawing the attention of the main decision makers on the issues that are weighing down on capital market growth.

Without the removal of the eight Barriers any insightful and aspirational strategy for the capital market can only partially make sense and be successfully implemented. Therefore, actions aimed at removing the Barriers will be complemented by other measures and solutions, serving the strategic objectives of the Romanian capital markets (Measures for Strategic Objectives). Among Barriers were included the markets' access, foreign investors' fiscal compliance, servicing investors rights, such as voting or receiving dividends, complex public offers & listing regime for equity and bond markets. The Measures for Strategic Objectives include and cover such problems as corporate governance of listed companies, a disclosure of market-sensitive information, a creation of the Central Counterparty for the transactions flowing from regulated markets, instruments for enhancing the liquidity, strengthening of the base of domestic institutional investors, incentivizing individuals to become directly or indirectly investors in tradable securities and instruments, modernization of the technologies – to name only a few of them. For all of them affecting the market positively and largely, the Barriers must be removed – otherwise the Measures will have very limited impact and remain mainly as theoretical figures.

The elimination of the eight Barriers along with other strategic measures will lead to a stronger and more attractive capital market for both companies and investors, which will translate into higher financial results for BVB for the years to come.

1.3 ASSUMPTIONS REGARDING THE COMPANY'S ACTIVITY FOR 2014

In 2013 the local market benefited from a gradual improvement in investors' sentiment which culminated with strong increases in trading value towards the end of the year. There were no significant disruptive events from the international trading landscape, with only a few short-lived few exceptions (e.g. the Syrian tensions in August, the US political stalemate in October). The local market followed the upward trend of international markets, helped by improving macroeconomic indicators and the confirmation of some of the long-awaited privatizations via BVB.

External factors with influence over BVB's activity

The year of 2014 is expected to be a year of economic growth for developed countries, with the US still in the center of events. The GDP of the EU is expected to mark a 1.5% increase according to the European Commission statistics, as with only two exceptions (Cyprus and Slovenia) all other EU countries are envisaged to strengthen their economies, as efforts for adjustments and fiscal consolidation will bear fruit. For the following year, prospects are even better, with an estimated 2% real GDP growth rate.

On the other hand, emerging economies have already been showing some signs of slowdown, given the tighter global financial environment following the United States' gradual exit from the expansionary monetary policy. Additional risks may come from any new conflicts around increasing the debt ceiling in US, which may also translate into higher volatility for financial markets.

Internal factors with influence over BVB's activity

For Romania, 2013 brought an acceleration of GDP (+3.5%) due to high exports and record agricultural output, well above what the market had expected at the beginning of last year. Moreover, the declining inflation led to gradual cuts in monetary policy rates operated by the Central Bank, translating in lower yields for bank deposits and spurring interest for other investment alternatives.

For 2014, according to EC estimates, Romanian GDP is projected to grow by a real 2.3%, as the political situation in the current election year (Europarliamentary in May, presidential in November) may affect the investment climate and may impact the state-owned companies' privatizations envisaged for this year.

Indicator	MU	2009	2010	2011	2012	2013	2014
Real GDP growth rate – Romania	%	-6.6	-1.1	2.3	0.6	3.5p	2.3e
Real GDP growth rate – EU28	%	-4.5	2.0	1.6	-0.4	0.1e	1.5e
Average exchange rate	EUR/RON	4.23	4.20	4.23	4.46	4.42	4.45e
Capitalization / GDP – Romania	%	10	10	10	11	14	15e
Capitalization / GDP – EU28	%	62	66	57	61	72	n/a
BVB's domestic market capitalization	EUR bn	12.1	13.0	13.2	14.1	19.5	22.4e
Average daily turnover (Regulated market, shares, public offers included)	EUR mn	4.8	5.2	9.2	6.7	10.1	11.9e
Average daily turnover (Regulated market, shares, public offers excluded)	EUR mn	4.8	5.1	9.2	6.3	7.2	10.1e

Abbreviations: p – preliminary data, e – estimated data

Source: Eurostat, NBR, National Statistics Office, BVB

In the construction of the 2014 budget we have incorporated such factors, which may impact the IPO pipeline for the year. On the other hand, our projections account for the fact that BVB embarked on a modernizing path, with the ultimate goal of being upgraded by MSCI into Emerging Market category. The focus will be on eliminating the eight systemically important Barriers identified for the local market, which represent the obstacles to normal development of the capital markets in Romania, and their removal would lead to improved liquidity, more investors and new companies seeking financing through the stock exchange.

CHAPTER II

BUSINESS PLAN FOR 2014

2.1 THE THREE-PILLAR ACTION PLAN

During the second half of the 2013, the Bucharest Stock Exchange penciled a three-pillar action plan that will lead to the development of the market and the achievement of the ultimate goal, i.e. the reclassification of the Romanian market from Frontier to Emerging. Most of the actions are already ongoing with different deadlines throughout the year.

Each of the three pillars implies a group of measures with significant impact on the market perception, attractiveness and efficiency, on the liquidity and market depth, on the number of companies seeking financing via BVB, and on the visibility of the local market in general.

Pillar I: We need to inject more oxygen. There are several issues that once addressed, direct and indirect costs of accessing the market would be significantly reduced. The main actions to be taken are detailed below:

- The extension of dividend payment through the Central Depository to all companies listed at BVB, as well as the standardization of required documentation, operational flow & corporate actions processing, according to the European Market Standards for Corporate Actions Processing;
- Streamlining of the procedures of opening the securities account by foreign investors, and applying the international standards in place;
- Ensuring an efficient cost structure for market participants;
- Solving taxation-related issues, aimed at treating investors equally. The European Commission Guidelines in terms of taxation (TBAG) should be complied with;
- Eliminating the odd-lot market, which would eliminate the dispersion of liquidity;
- The separation between trading and post-trading infrastructure at settlement, a project that was developed last year. The model is currently being implemented and BVB's and Central Depository's rules and regulations are being revised;
- Reviewing the requirements stipulated in the Fiscal Code with regard to fiscal agents and the fiscal registration of foreign investors;
- Simplifying the procedures for voting at General Shareholders' Meetings, including the standardization of the documentation required.

Pillar II: We have to be innovative. The Bucharest Stock Exchange must also bring new features to improve market visibility, to ease investors' access to the market and information, to create more liquidity and to offer a wider range of financial instruments. Measures envisaged at this stage are as follows:

- The extension of the trading session, intended to improve correlation with developed markets, has already been implemented as of January 3rd, 2014. The measure applied to shares, rights and fund units;
- The introduction of a limited period of time (10 minutes) after the trading session during which trading happens at a fixed price, namely the closing price;
- The review of the indices methodology, including the launch of new indices and elimination of others. Most changes will be implemented by mid-year, with some others taking place in September 2014 or January 2015;
- Offering support to the developments of the fixed-income instruments segment at BVB;
- Measures focusing on market makers, the pilot program being already in place since January 3rd, 2014. The program is aimed at developing the market making activity on the stock exchange and to enhance liquidity and market quality. After a 6-month initial stage, the program will be evaluated, recalibrated if necessary and extended accordingly;

- The creation of BVB Infospace, a data center designed to broadcast all information on the companies listed on the BVB;
- Efforts to improve public awareness on the capital market and to encourage Romanian citizens to invest in the local capital market, thus benefiting from the Romanian economic growth;
- To promote BVB as a business proposition for private entrepreneurs, thus supporting companies and entrepreneurs to develop and to raise funds efficiently.

Pillar III: We need to have what others have. The modernization of BVB also implies establishing mechanisms and institutions already in place in developed countries, as follows:

- Lending and borrowing, which entails on the one hand the improvement of legal provisions in order to comply with the international standards & practices and on the other hand the clarification of the Fiscal Code provisions referring to the tax treatment of borrowing and lending operations;
- Short selling, which can provide investors the option of gaining from a declining market;
- The Central Counterparty (CCP), for both spot and derivative markets. BVB has continued its endeavors to identify a solution for setting up this institution;
- The derivatives market, complementary to the equity market. Having new products traded there depends on the creation of the CCP;
- A clear and simpler structure of the companies listed at BVB into categories;
- The creation of separate markets for each type of security, i.e. shares, bonds, derivatives;
- Improved disclosure and standards for investor relations activities, which would imply mandatory reporting in Romanian and English, more efficient IR activities for state-owned companies, as well as standardized reporting for all corporate actions, both in Romanian & English, acc. to the European Market Standards for Corporate Actions Processing;
- Effective corporate governance for issuers of financial instruments, thus enhancing communication between listed companies and investors.

2.2. EIGHT SYSTEMICALLY IMPORTANT BARRIERS FOR THE CREATION OF MODERN CAPITAL MARKETS IN ROMANIA

In November 2013, the representatives of BVB, Financial Supervisory Authority, National Bank of Romania, the Ministry of Finance, intermediaries, investors and other market Participants set up the Great Barriers Shift Group. The main purpose and ultimate scope is to succeed in Romania's reclassification from Frontier Markets to an Emerging Markets by MSCI. The main advantages of the upgrade are greater visibility of Romania worldwide and a straightforward way of attracting a whole new range of investors who are currently not allowed to invest in any Frontier Market.

The Romanian capital market, measured by market capitalization of public companies and the value of transactions in primary and secondary markets, is one of the smallest in Europe. This can be partially attributable to the existence of the Barriers. They constitute a powerful impediment to the market providing diversified sources of capital and cause an overall inefficiency of the system designed in theory for the financing of companies and for the allocation of savings.

As a first step, a set of Barriers or obstacles to normal development of the capital markets in Romania were identified and described in the Paper "*Eight Systemically Important Barriers for the Creation of the Modern Capital Markets in Romania*". The eight Barriers, which the document classifies, are of paramount significance.

Without removal of these Barriers, any insightful and aspirational strategy for the capital market can only partially make sense and be successfully implemented. Therefore, actions aimed at removing the Barriers can and should be complemented by other measures and solutions, serving strategic objectives of the Romanian capital markets (Measures for Strategic Objectives).

The eight Barriers and the intended solutions

Barrier	Current situation	Solution
1. Getting access to the market	<ul style="list-style-type: none"> ↓ To provide extensive documents in original along with legalized (and sometimes apostilled) copies when setting up a securities' account in Romania (most often after a complicated process opening of opening a custody account); ↓ Lack of recognition of internally empowered persons who act as authorized representatives of the institutional investors 	<ul style="list-style-type: none"> ↑ To simplify the volume of documents required to open a securities account; ↑ To accept documents in English; ↑ To recognize also the authorized representatives, as alternative to the legal representatives
2. Investors' fiscal compliance	<ul style="list-style-type: none"> ↓ Uncertainty (different local authorities approach) related to reporting obligations in Romania in case no tax is due; ↓ A complicated fiscal registration procedure, may last up to 1 month 	<ul style="list-style-type: none"> ↑ To eliminate any reporting obligations in case no tax is due in Romania; ↑ To remove uncertainty with respect to fiscal treatment of different categories of foreign investors; ↑ To simplify fiscal registration and compliance procedures
3. Not respecting corporate rights of the investors	<ul style="list-style-type: none"> ↓ Difficulties in using Power of Attorney for voting in GSMs; ↓ Complicated voting procedures, which require significant time and paperwork 	<ul style="list-style-type: none"> ↑ To introduce and accept a general discretionary PoA; ↑ To eliminate any additional documents, except ID and PoA, required for exercising the voting; ↑ To update and use Central Depository database of entitled shareholders and legal/authorized representatives; ↑ To include definition of Ex-Date, Record Date and Payment Date in the Capital Markets Law
4. Lack of international standards with regard to servicing investors' rights for dividend	<ul style="list-style-type: none"> ↓ Existence of several means of dividends payments; ↓ Lengthy dividend payments (up to months) since GSM decision till the actual payment 	<ul style="list-style-type: none"> ↑ To create a centralized and uniformed system of paying dividends, through Central Depository; ↑ To make shareholders not being obliged to prove their dividends rights
5. Excessive cost of participation in the market	<ul style="list-style-type: none"> ↓ One of the most expensive markets in CEE, based on fees charged both by BVB and by ASF, and because of other administrative fees 	<ul style="list-style-type: none"> ↑ To gradually and permanently reduce administrative fees charged on trading and public offers on the Romanian Capital Markets; ↑ Market regulator and supervision to be financed on the basis of high volumes and low fees, and not on very low transactional volumes and excessively high fees
6. Unclear taxation issues related to capital market transactions	<ul style="list-style-type: none"> ↓ Unclear provisions on the tax regime and compliance requirements applicable to the trades with securities other than shares; ↓ Lack of provisions with regard to the lending/borrowing and short selling of financial instruments 	<ul style="list-style-type: none"> ↑ To introduce the concept of borrowing & lending and short selling in the fiscal legislation; ↑ To introduce fiscal treatment to be applied for trades with securities other than shares

7. Primary market	<p>↓ Inflexible, overly formalistic and lengthy public offers and listing regime</p>	<p>↑ To integrate and expedite listing approvals to allow listing on or about closing;</p> <p>↑ To remove any mandatory wait periods or mandatory duration of public offers;</p> <p>↑ To streamline and eliminate formalities for public offerings</p>
8. Bond market	<p>↓ Antiquated and inflexible bond issuance regime;</p> <p>↓ Unsecured bonds are structurally subordinated to bank debt;</p> <p>↓ Unclear and contradicting legal provisions related to convertible bonds</p>	<p>↑ To allow bonds to be governed solely by their terms and conditions and issued under such law as the issuer chooses;</p> <p>↑ To make bonds <i>pari passu</i> with bank debt;</p> <p>↑ To clarify the legal regime governing convertible bonds,</p> <p>↑ Pension funds to be allowed to invest in bonds with no rating or at least with rating below Romania's rating</p>

The following step is to identify the actual legislative changes to support the elimination of the Barriers. This step will be accompanied by a deeper analysis of the Barriers and we assume the first stage of the process will be over in March 2014. Subsequently, working jointly with the regulators on the analysis and implementation of the changes will be of high importance and impact for the capital markets.

In connection with this project a new website will be launched www.rocapmarketmodern.ro in order to inform the interested parties on the status and developments of this project.

CHAPTER III

FINANCIAL INFORMATION OF THE 2014 BUDGET

BVB's 2014 budget is presented in compliance with the Romanian Accounting Standards (RAS). All amounts are denominated in thousands of RON unless otherwise stated. The financial indicators are rounded off to the nearest integer, resulting in small reconciliation differences.

3.1 OPERATING ASSUMPTIONS / KEY PERFORMANCE INDICATORS

Indicator	Measuring unit	Budget 2014	Budget 2014 vs Actual 2013
Number of trading days	days	251	0.0%
Regulated spot market – Shares			
Trading value (incl. IPOs) of which:	Thousand RON/year	13,326,494	+17.6%
Value of public offers	Thousand RON/year	2,018,922	-39.3%
Average daily trading value (incl. IPOs)	Thousand RON/day	53,094	+17.6%
Bonds			
Trading value (incl. public offers)	Thousand RON/year	1,037,741	+2.0%
Average daily trading value (incl. public offers)	Thousand RON/day	4,134	+2.0%
Government securities			
Trading value	Thousand RON/year	420,417	+11.2%
Average daily trading value	Thousand RON/day	1,669	+11.2%
Structured products			
Trading value	Thousand RON/year	361,630	-32.0%
Average daily trading value	Thousand RON/day	1,436	-32.0%
ATS			
Trading value	Thousand RON/year	20,726	-0.2%
Average daily trading value	Thousand RON/day	83	-0.2%
Rasdaq market			
Trading value	Thousand RON/year	258,004	-0.5%
Average daily trading value	Thousand RON/day	1,025	-0.5%

3.2 PROFIT AND LOSS ACCOUNT FOR 2014

Indicator	Budget 2014		Actual 2013		Budget 2014 vs. Actual 2013	
	Thousand RON	%	Thousand RON	%	Thousand RON	%Δ
Operating revenues						
Trading revenues, of which:	21,909	87%	21,230	87%	679	3%
- Revenues from public offers (shares)	2,730		6,396		-3,666	-57%
Revenues from fees charged to issuers	1,346	6%	1,317	5%	29	2%
Data vending revenues	1,338	5%	1,263	5%	75	6%
Revenues from IT&C services	396	2%	387	2%	9	2%
Revenues from fees charged to participants	54	0%	88	0%	-34	-38%
Other revenues	105	0%	126	1%	-21	-17%
Total operating revenues	25,148	100%	24,412	100%	736	3%
Operating expenses						
Personnel expenses	8,160	50%	8,990	55%	-830	-9%
Adjustments from provisions (remuneration scheme for Board and not taken holidays)	300	2%	100	1%	200	200%
Board and Special Commission remunerations (including taxes)	675	4%	664	4%	11	2%
Other operating expenses	2,748	17%	3,763	23%	-1,015	-27%
Promotion & marketing	1,491	9%	1,061	7%	430	41%
Functioning and administrative expenses	1,917	12%	1,720	11%	197	11%
Depreciation of tangible & intangible assets	894	6%	681	4%	212	31%
Adjustments for the depreciation of long-term and current assets	0	0%	-699	-4%	699	100%
Total operating expenses	16,184	100%	16,280	100%	-96	-1%
Operating result	8,964		8,132		832	10%
<i>Operating margin</i>	36%		33%			
Financial revenues and expenses						
Revenues from dividends	-	-	388	13%	-388	-100%
Interest earned (+ revenues, - expenses)	2,691	100%	2,771	96%	-80	-3%
Net unrealized foreign exchange differences (+ gains, - losses)	-	-	-136	-5%	136	-100%
Adjustments of financial investments (shares)	-	-	-124	-4%	124	-100%
Financial result	2,691	100%	2,899	100%	-208	-7%
Profit tax	1,703	17%	1,547	16%	157	10%
Net result	9,952	100%	9,484	100%	468	5%
<i>Net margin</i>	40%		39%			

3.3 ANALYSIS OF THE PROFIT AND LOSS ACCOUNT FOR 2014

Operating revenues

Trading revenues for 2014 were estimated at 21,909 thousand RON, accounting for 87% of the total operating revenues. The regulated spot market for shares (trades on the secondary market and the public offers segment) generated the bulk of trading revenues, with the other categories remaining at levels similar to 2013.

The estimated trading revenues for various categories of financial instruments were made starting from the trading values registered in 2013, adjusted at growth rates specific to each type of security, and applying the standard trading fees to the resulting values.

Breakdown of trading revenues	Budget 2014		Actual 2013		Budget 2014 vs. Actual 2013	
	Thousand RON	%	Thousand RON	%	Thousand RON	%Δ
1. Spot regulated market						
Revenues from shares, rights, fund units	18,280	84%	12,996	61%	5,284	41%
Discounts for market makers	-180	-1%	-152	-1%	-28	19%
Revenues from public offers (shares only)	2,730	12%	6,396	30%	-3,666	-57%
Revenues from structured products	486	2%	728	3%	-242	-33%
Revenues from fixed-income securities (bonds, government securities), including public offers	127	1%	23	0%	104	454%
2. RASDAQ market						
Revenues from shares, rights	422	2%	413	3%	9	2%
3. Regulated derivatives market						
Revenues from derivatives	-	-	1	0%	-1	-100%
4. ATS						
Revenues from shares	9	0%	9	0%	0	5%
5. Other trading revenues	35	0%	816	4%	-782	-96%
Total trading revenues	21,909	100%	21,230	100%	679	3%

The value traded on the spot regulated market for shares estimated for the 2014 budget is 11,307,572 thousand RON, up by approximately 41% compared to the previous year. This value is based on the trading of the existing stocks during the year, as well as on the additional trading generated following the public offers expected for this year and the transfer of issuers from Rasdaq market on one of the categories of BVB's regulated market. The average daily turnover is estimated to reach 45,060 thousand RON (excluding IPOs), by 41% above the 2013 figure.

To the above-mentioned figure, public offers worth of 2,018,922 thousand are expected to bring additional revenues of 2,730 thousand RON.

The total revenues generated by regular trading of shares on the spot regulated market and by public offers, adjusted with any discounts, are seen at 20,830 thousand RON.

Taking into account the recent evolution of the structured products segment, for 2014 a total trading value of 361,630 thousand RON is estimated, translating into revenues of 486 thousand RON.

As regards the fixed-income securities market, the bond segment is estimated to register a total turnover of 1,037,741 thousand RON (including public offers), given the higher interest shown by companies for financing through bond issues, while for the government securities segment a double digit growth rate is expected for the total turnover, up to 420,417 thousand RON. Revenues generated by such financial instruments are expected to advance by 454% y-o-y.

For the Rasdaq market a slight increase is expected (+2%) in both annual trading value and revenues, while revenues generated by the ATS segment are expected to register a 5% y-o-y increase.

Revenues from fees charged to issuers for listing and maintenance were budgeted at 1,346 thousand RON for 2014, with only a 2% advance compared to the previous year, as only part of the additional fees charged to the new companies entering the regulated market in 2013 (Romgaz and Nuclearelectrica, as well as the two companies transferred from Rasdaq) would be recognized in 2014. Moreover, for listed bonds, partial repayments are made each year, so the basis for the calculation of maintenance fees is lower.

Data vending revenues are expected to account for 5% of total operating revenues in 2014. A 6% increase is envisaged for this year, to 1,338 thousand RON, backed by higher investors' interest in the local market.

Revenues from IT&C services are budgeted at 396 thousand RON in 2014, by 2% higher compared to the previous year, in line with ongoing agreements.

Revenues from fees charged to participants were budgeted at 54 thousand RON, based on the current number of Participants, i.e. 43, compared to 54 at the beginning of the previous year.

Operating expenses

Personnel expenses including all taxes and contributions borne by the company, are budgeted at 8,160 thousand RON, 9% lower than in 2013. The internal reorganization process which took place in 2013 is expected to bring increasing benefits to the BVB organization by making the use of the human resources more efficient. The budgeted value also includes estimated expenses with performance bonuses, based on performance criteria and fulfillment of the budget.

Adjustments from provisions were estimated at 300 thousand RON, which represents a provision related to the profit sharing for the members of the Board of Governors for their activity in 2014, calculated as 6 monthly payments, on the following conditions: the acquisition of BVB shares within 3 months from the shareholders' approval and maintaining the acquired shares for minimum 2 years since acquisition. The provision will be submitted for BVB's shareholders' approval in 2015.

The net value between provision reversals for holidays not taken in 2013 and the provision to be registered in 2014 also for holidays not taken has no impact over the 2014 costs.

Board and Special Commission remunerations are seen at 675 thousand RON, with a slight increase (2%) compared to the previous year, accounting for a slightly higher number of Special Commission meetings to be held this year. Board members' allowances remain constant compared to 2013, at a net value of 3,700 RON/member.

Other operating expenses were budgeted at 2,748 thousand RON, by 27% lower compared to the previous year (2013: 3,763 thousand RON), which would also determine a lower weight in total operating expenses (17% vs. 23% in 2013). These expenses are detailed below:

- expenses related to IT infrastructure worth of 434 thousand RON (with an increase from 201 thousand RON in 2013, generated by the higher maintenance cost of the Data Center as well as projects envisaged for this year),
- expenses related to the non-deductible Value Added Tax, worth of 960 thousand RON (up 8% y-o-y from 885 thousand RON in 2013, due to higher promotion and marketing expenses and to projects and investments planned according to the investment plan),
- expenses for organizing General Shareholders' Meetings of 65 thousand RON (down 39% compared to 107 thousand RON in 2013 when more General Assemblies were convened),
- expenses for internal, financial and IT audit services, of 150 thousand RON (similar to 2013),
- expenses related to the implementation of corporate governance projects of 67 thousand RON (compared with 92 thousand RON in 2013, as part of the training activities for improving the corporate governance of the future listed issuers was performed last year),
- expenses with consultancy and legal services provided by third parties of 269 thousand RON, more than 5 times lower in y-o-y terms (2013: 1,438 thousand RON),
- expenses related to business trips in the country and abroad (estimated at 428 thousand RON, up 4% from 411 thousand RON in 2013),
- FSA fees and commissions worth 255 thousand RON (versus 274 thousand RON in 2013).

Promotion and marketing expenses will benefit from higher amounts allocated, by 41% compared to 2013, taking into account the activities intended to promote the potential (who plan a public offer) and existing issuers listed on the local market, and to continue the educational projects for investors.

Out of a total amount of 2,012 thousand RON estimated as necessary for all marketing and promotion activities, only 1,491 thousand RON was included in the budget for the year, the rest depending on the accomplishments throughout the year and thus being considered as *projects in the pipeline*.

The main categories of activities that will benefit from the marketing budget are presented in the table below:

Promotion and marketing expenses summary for 2014

Activity	Value (thousand RON)	% of total budget
Conferences and other events	760	38%
Promotion and corporate communication costs	394	20%
Membership fees to professional organizations	180	9%
Brochures & other promotion materials and activities	284	14%
One2one meetings (with existing and potential issuers, investors)	85	4%
Media subscriptions	55	3%
Education and CSR activities	253	13%
TOTAL	2,012	100%

BVB's communication and marketing activities are focused on four main areas: corporate communication, promotion of company's products and services, media relations and CSR. Either as organizer or partner in third party conferences and events, BVB promotes to potential issuers the capital market as a financing alternative, and makes efforts to attract institutional and retail investors.

For attracting issuers, BVB will be a partner for a series of SMEs dedicated events, along with the B2B approach. As regards investors, BVB will continue in 2014 the series of BVB Investors Focus events for retail and institutionals, but will also organize Romania Investor Day abroad in order to present to foreign institutionals the investment opportunities in the Romanian economy and capital market, and create a bridge for dialogue between blue chips and large companies included in the privatization program and the representatives of foreign investors.

As regards state-owned and private companies' listings, BVB will run integrated marketing campaigns for presenting the IPO/SPO investment opportunities and the related company to retail and institutional investors, in order to raise awareness over the public offer and to generate subscriptions.

BVB is a member in FESE, FEAS, WFE, AmCham and FIC, and during 2014 will get involved and benefit of all the know-how available via its membership.

Education remains an important leverage for the local capital market, and most of the 2014 CSR activities will be focused on this. Regardless if we refer to the Open Doors Day at BVB and Capital Market Manual for pupils and students, projects developed in cooperation with Junior Achievement Romania, supporting the education activities across the country in partnership with local brokers, joining investment programs of VIP Association and other student NGOs, or to supporting OvidiuRo project for sending the poor children to kindergarten, we believe that education is the only way of creating the sound generation of tomorrow and of setting the grounds for our future investors and capital market market professionals. The second area approached by our CSR in 2014 is health, by supporting the programs of Hospice Casa Sperantei.

Functioning and administrative expenses include expenses with rent and utilities, administrative and current expenses, as well as expenses for postal services and telecommunications. For this category, an 11% increase is estimated in 2013 compared to the previous year, mostly driven by the higher rent costs and higher prices for utilities.

Depreciation of tangible & intangible assets is expected to increase by 31% this year compared to 2013, taking into account ongoing investments and the investments planned in intangible and tangible assets according to the investment plan for 2014.

Adjustments for the depreciation of long-term and current assets (receivables) are expected to drop by 100% compared to 2013, when the reversal of the provision for the land and adjustments for doubtful clients were registered.

Financial revenues

Revenues from dividends are zero for this year, taking into consideration the financial results registered by BVB's affiliates in 2013.

Interest earned for BVB's cash and equivalents are estimated at 2,691 thousand RON, down by 3% compared to the previous year, the reduction being determined by the lower cash available after paying dividends from 2013 profit, the declining interest rate environment and the investments needed for various projects presented in the 2014 Investment Plan.

Results for BVB's activity

For 2014 an **operating profit** of 8,964 thousand RON is estimated, 10% higher compared to the previous year, due to higher operating revenues and stable costs.

The financial profit is estimated to reach 2,691 thousand RON, by 7% lower than in 2013, taking into account that for 2013 no dividends from affiliates are expected and that interest revenues are expected to decline.

After deducting the profit tax, calculated at 1,703 thousand RON, the 2014 **net profit** of BVB is estimated at 9,952 thousand RON, implying that the **earnings per share** would reach 1.30 RON/share.

3.4 SUMMARY OF THE 2014 INVESTMENT PLAN

The 2014 investment plan includes overall investments of 4,192 thousand RON, in line with BVB's projects as detailed in Chapter 2. The investment plan is subject to BVB shareholders' approval.

Investment	Value (thousand RON)
IT & Business projects – investments in intangible & tangible assets	
Arena separation systems project	550
New central colocation infrastructure	156
Infospace project	134
New software for centralized management and control of virtual systems in private cloud	62
Technical infrastructure for Disaster & recovery site – update	45
Upgrades & maintenance investments	574
WEB mobile applications	64
New BVB website	134
Total IT & business investments in 2014	1,717
Other projects – investment in tangible assets	
BVB Headquarters improvements	225
Financial investments – investments in related parties	
Increase of the share capital of the Bucharest Clearing House for the CCP Project	2,250
Total investments for 2014	4,192

BVB's investments for 2014 mainly include software licenses for BVB's technological infrastructure, as well as investments in hardware and auxiliary equipment which are aimed at increasing operating efficiency, at improving control of operating risks and ensuring the technical support for new services to be provided.