



# **PRELIMINARY REPORT**

as of 31 December 2019

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## Notes

The report herein presents the interim condensed consolidated financial statements of the Bucharest Stock Exchange, prepared in accordance with the International Financial Reporting Standards as adopted by the European Union, and in compliance with the rules and regulations of the Financial Supervisory Authority (FSA). The financial results as of 31 December 2019 are being audited.

The financial figures presented in the executive management commentary which are expressed in million RON are rounded off to the nearest integer and may result in small reconciliation differences.

Entities included in the consolidation process: Bucharest Stock Exchange, Central Depository, Investors Compensation Fund, CCP.RO Bucharest.

## Disclaimer

This English language report is a convenience translation of the Romanian language “*Raport preliminar întocmit la data de 31 decembrie 2019*”. The Romanian version of the report is the official document.

## Executive summary

### Key events, 2019

- The BET index, including the most liquid companies with the exception of Financial Investment Companies, ended the year at 9,977.3 points, very close to the 10,000 points threshold, recording an advance of 4.2% in Q4. This brought the full-year result to 35.12% growth
- The BET-Total Return (BET-TR), including the dividends of the BET companies, mirrored its counterpart in Q4 with 4.2% advance and witnessed an increase of 46.9% for the full year 2019
- At the end of 2019, the market value of all the companies listed on the Main Market of BVB reached RON 180.8 bn, the equivalent of EUR 37.8 bn
- The primary bond market broke a record with 10 new listing in Q4 2019. 5 listings took place on the main regulated market while the other half were done on the alternative platform. The 10 issuers raised in total RON 1.43 bn (EUR 300 mn)
- The total trading value on the regulated shares market, excluding offers, -3% from RON 9.68 bn to RON 9.38 bn
- Transactions with shares, excluding offers, accounts for 77% of the total traded value in 2019, respectively 68% in 2018
- The total traded value for all markets, including offers, -15%, from RON 14.225 bn to RON 12.155 bn, due to the decrease of offers on the main equity market with RON 1.48 bn
- In November 2019, the company CCP.RO Bucharest SA (CCP.RO) was incorporated, with a share capital of RON 79.80 mn, of which Bucharest Stock Exchange (BVB) holds 59.52% representing RON 47.50 mn. CCP.RO is considered a subsidiary within the BVB Group and has been included in the consolidated financial statements of BVB.

### Evolution of financial performance, 9 months 2019 - consolidated results BVB Group

- The preliminary consolidated operating revenues of the Bucharest Stock Exchange (BVB) Group in 2019 were RON 34.96 mn, -12% compared to 2018 (2018: RON 39.82 mn), a decrease determined by the trading segment (BVB individual) as well as the registry segment - Central Depository (DC)
  - Revenue from trading segment – (BVB), RON -4.57 mn (from RON 23.93 mn to RON 19.36 mn) as a result of the decrease of the total value of the “offers” transactions carried out on the BVB markets with impact of RON -3.78 mn in revenues
  - The revenues related to the post-trading segment (DC) increased by 1% (from RON 10.11 mn to RON 10.25 mn) as a result of the advance of the revenues from the cross-border settlement services while the revenues related to the registry segment (DC) decreased by 12% (from RON 5.26 mn to RON 4.62 mn) as a base effect, considering the “one-off” revenues registered in the first half of 2018

Individual preliminary results:

- Revenue from trading – BVB Individual\*, RON -4.57 mn (from RON 24.25 mn to RON 19.68 mn) as a result of the decrease of the total value of the “offers” transactions carried out on the BVB markets with impact of RON -3.78 mn in revenues
- DC Individual\* revenues, -0.51mn in 2019 compared to 2018, from RON 15.48 mn to RON 14.97 mn

*\* including intra-group transactions*

- The preliminary consolidated operating expenses - 2019, +1%, respectively RON 0.33 mn, from RON 30.94 mn to RON 31.27 mn mainly as a result of the advance of other operating expenses (mainly amortization and depreciation of fixed assets expenses and rent expenses), by 9% or RON 0.92 mn
  - Preliminary operating expenses, **BVB individual\***, 2019, -2%, from RON 17.09 mn to RON 16.67 mn mainly due to the reduction of the expenses with the services provided by third parties (respectively of the expenses with consulting services)
  - Preliminary operating expenses, **DC individual\***, 2019, +4%, from RON 13.37 mn to RON 13.93 mn mainly due to the advance of the other operating expenses with RON 0.32 mn, expenses being influenced by the reauthorization process according to the legal requests
  
- The preliminary consolidated operating profit of the BVB Group - 2019, -58%, from RON 8.88 mn to RON 3.70 mn, result of the combined effect of the decrease of the operating revenues by 12% and the increase of the operating expenses by 1%
  - Preliminary operating profit, **BVB individual\*** - 2019, -58%, from RON 7.16 mn to RON 3.01 mn, with 15% operating margin. This includes intra-group transactions (for trading segment values, excluding intra-group transactions - see *Note 6 Segment reporting*)
  - Preliminary operating profit, **DC individual\*** - 2019, -50%, from RON 2.10 mn to RON 1.05 mn, with 7% operating margin. This includes intra-group transactions (for post-trading and registry segments values, excluding intra-group transactions - see *Note 6 Segment reporting*)
  
- Preliminary net financial income - 2019, + 22%, from RON 3.63 mn to RON 4.42 mn, mainly determined by the advance of the unrealized exchange rate differences from the revaluation of the financial instruments in foreign currency that generated a gain of RON 1.06 mn vs. RON 0.68 mn in 2018, but also as a result of the sale of financial assets (government securities) that generated a gain of RON 0.54 mn
  - Preliminary net financial income, **BVB individual\*** - 2019, + 25% or RON 1.03 mn, from RON 4.03 mn to RON 5.06 mn, and includes the dividend income from the Central Depository of RON 1.38 mn. For the trading segment values, excluding dividend income from the Central Depository - see *Note 6 Segment reporting*
  - Preliminary net financial income, **DC individual\*** - 2019, + 53% or RON 0.28 mn, from RON 0.53 mn to RON 0.82 mn. For the post-trading and registry segment values - see *Note 6 Segment reporting*
  
- The preliminary consolidated net profit of the BVB Group - 2019, -33%, from RON 10.19 mn to RON 6.83 mn, 78% being generated by the Group's trading segment
  - Preliminary net profit, **BVB individual\*** - 2019, -26%, from RON 9.49 mn to RON 7.01 mn, with 36% net margin. This includes intra-group transactions (for trading segment values, excluding intra-group transactions - see *Note 6 Segment reporting*)
  - Preliminary net profit, **DC individual\*** - 2019, -28%, from RON 2.27 mn to RON 1.64 mn, with 11% net margin. This includes intra-group transactions (for post-trading and registry segments values, excluding intra-group transactions - see *Note 6 Segment reporting*)

\* including intra-group transactions

## Financial and operating highlights

### Consolidated financial performance – BVB Group (RON mn, unless otherwise stated)

	2019 (prelim)	2018	Change (%)	4Q 2019 (prelim)	3Q 2018	Change (%)
Operating revenue	34.96	39.82	-12%	8.51	10.85	-22%
Operating expenses	<u>31.27</u>	<u>30.94</u>	1%	<u>8.84</u>	<u>9.46</u>	-7%
<b>Operating profit</b>	<b>3.70</b>	<b>8.88</b>	<b>-58%</b>	<b>(0.33)</b>	<b>1.39</b>	<b>-123%</b>
<i>Operating margin</i>	11%	22%		-4%	13%	
<b>Net financial revenue/(expenses)</b>	<b>4.42</b>	<b>3.63</b>	<b>22%</b>	<b>0.49</b>	<b>0.87</b>	<b>-43%</b>
Profit before tax	8.17	12.49	-35%	0.17	2.23	-93%
Profit from continuing operations	6.83	10.44	-35%	0.14	1.86	-93%
Profit from discontinued operation	-	(0.25)	-	-	(0.17)	-
<b>Profit for the period</b>	<b>6.83</b>	<b>10.19</b>	<b>-33%</b>	<b>0.14</b>	<b>2.04</b>	<b>-93%</b>
<i>Net margin</i>	20%	26%		2%	19%	
EPS attributable to owners (RON/share)	0.8070	1.2111	-33%	0.0225	0.2329	-90%
<i>Return on equity</i>	5%	8%		0%	2%	

### Consolidated financial position – BVB Group (RON mn, unless otherwise stated)

	31 Dec. 2019 (prelim)	31 Dec. 2018	Change (%)
<b>Total assets, out of which:</b>	<b>212.94</b>	<b>214.13</b>	<b>-1%</b>
<i>Cash &amp; cash equivalents</i>	81.71	35.29	132%
<i>Financial assets at amortised cost</i>	37.12	53.50	-31%
<i>Restricted financial assets at amortised cost</i>	57.42	88.14	-35%
<b>Payables, out of which:</b>	<b>62.62</b>	<b>93.71</b>	<b>-33%</b>
<i>Trade and other payables</i>	41.41	71.17	-42%
<b>Equity, out of which:</b>	<b>150.32</b>	<b>120.43</b>	<b>25%</b>
<i>Total shareholders' equity attributable to the owners of the Company</i>	108.19	110.24	-2%
<i>Non-controlling interests</i>	42.13	10.19	313%

### Individual financial performance – BVB only, (RON mn, unless otherwise stated), including intra-group transactions

	2019 (prelim)	2018	Change (%)	4Q 2019 (prelim)	4Q 2018	Change (%)
Operating revenue	19.68	24.25	-19%	4.44	6.84	-35%
Operating expenses	<u>16.67</u>	<u>17.09</u>	-2%	<u>4.67</u>	<u>5.89</u>	-21%
<b>Operating profit</b>	<b>3.01</b>	<b>7.16</b>	<b>-58%</b>	<b>(0.23)</b>	<b>0.95</b>	<b>-124%</b>
<i>Operating margin</i>	15%	30%		-5%	14%	
<b>Net financial revenue/(expenses)</b>	<b>5.06</b>	<b>4.03</b>	<b>25%</b>	<b>0.43</b>	<b>0.75</b>	<b>-43%</b>
Profit before tax	8.12	11.17	-27%	0.20	1.86	-89%
<b>Profit for the period</b>	<b>7.01</b>	<b>9.49</b>	<b>-26%</b>	<b>0.19</b>	<b>1.60</b>	<b>-88%</b>
<i>Net margin</i>	36%	39%		4%	23%	
<i>Return on equity</i>	7%	9%		0%	1%	

## Individual financial position – BVB (RON mn, unless otherwise stated)

	31 Dec. 2019 (prelim)	31 Dec. 2018	Change (%)
<b>Total assets, out of which:</b>	<b>110.24</b>	<b>111.98</b>	<b>-2%</b>
Cash & cash equivalents	1.99	34.90	-94%
Financial assets at amortised cost	25.19	40.53	-38%
Investments in subsidiaries	67.96	20.46	232%
<b>Payables, out of which:</b>	<b>3.48</b>	<b>3.78</b>	<b>-8%</b>
Trade and other payables	2.69	2.82	-5%
<b>Equity, out of which:</b>	<b>106.76</b>	<b>108.20</b>	<b>-1%</b>
Share capital	80.49	80.49	0%
Share premium	6.30	6.30	0%

## Share statistics for BVB as parent company (RON, unless otherwise stated)

	2019	2018	Change (%)	4Q 2019	4Q 2018	Change (%)
Closing price (e-o-p)	25.80	21.00	23%	25.80	21.00	23%
Weighted average price	24.06	25.87	-7%	26.09	22.96	14%
High (intraday)	27.50	30.70	-10%	27.00	25.00	8%
Low (intraday)	21.10	20.40	3%	25.10	20.40	23%
Total trading value (RON mn)	20.50	32.54	-37%	6.62	10.03	-34%
Average trading value (RON mn)	0.08	0.13	-37%	0.11	0.16	-33%

## Operating highlights, trading segment (RON mn, all markets)

Trading value	2019	2018	Change (%)	4Q 2019	4Q 2018	Change (%)
Shares, units, rights	9,956	11,682	-15%	2,084	3,879	-46%
<i>Out of, Shares traded on regulated market, without offers</i>	9,378	9,680	-3%	1,917	3,049	-37%
Certificates	186	336	-45%	53	83	-36%
Fixed-income	2,014	2,207	-9%	1,898	719	164%
<b>Total</b>	<b>12.155</b>	<b>14.225</b>	<b>-15%</b>	<b>4.035</b>	<b>4.680</b>	<b>-14%</b>
Avg. daily value (shares, without offers)*	38.59	45.27	-15%	31.55	59.83	-47%
Avg. daily value (shares, including offers)*	38.59	46.02	-16%	31.55	59.83	-47%

\*Value for the Regulated market

## Operating indicators, post-trading and registry segments

	2019	2018	Change (%)	4Q 2019	4Q 2018	Change (%)
No. companies with registry contract at CSD	870	888	-2%	870	888	-2%
No. procedures resulted from issuers' corporate events	378	349	8%	345	306	13%
<u>Local settlement</u>						
Value of trades settled on net basis (RON bn)	27.13	28.27	-4%	8.51	9.38	-9%
Value of trades settled on gross basis (RON bn)	3.31	4.09	-19%	0.64	1.17	-45%
<u>Settlements through T2S platform (euro)</u>						
Value of trades settled on gross basis (EUR mn)	116.31	672.42	-83%	107.7	157.12	-31%
Avg. monthly portfolio managed by custodians (RON bn)	42.98	41.02	5%	47.3	40.91	16%

# Analysis of the consolidated results for the year 2019 and the fourth quarter of 2019

**Macroeconomic background and financial markets overview in the fourth quarter of 2019.** Romania's GDP dynamics in the 3<sup>rd</sup> quarter posted an increase of 3.0% year-on-year, supported mainly by consumption and industrial growth, but showing a slight deceleration from the previous period. This level confirms that the Romanian economy is still in a good place although facing some external headwinds. The unemployment rate stood at the 3.9% level while the number of employees remained above the 4.9 mn. level. Inflation accelerated towards the 4.0% level, at the end of December, slightly above analysts' expectations, caused by consumption demand.

The National Bank of Romania kept the key rate at 2.5% during the 4<sup>th</sup> quarter as uncertainties regarding inflation and economic activity remained present.

The EUR/RON exchange rate slightly increased in the 4<sup>th</sup> quarter, fluctuating, on average, near the level of 4.77. As for the USD/RON exchange rate, it continued its rise, moving, on average, around the level of 4.30.

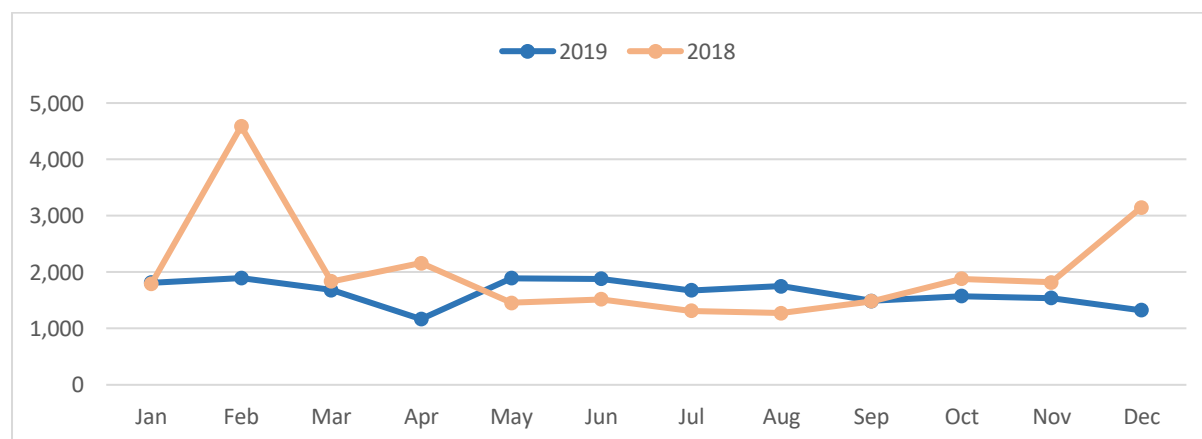
BET index rallied further, increasing by 4.2% during the 4<sup>th</sup> quarter following the performance of the Romanian economy and the strong earnings results posted by the Romanian companies. Global equity markets registered an upbeat performance in the 4<sup>th</sup> quarter amid expansionary measures took by the central banks and de-escalation of the trade conflict between US and China with a potential phase 1 trade deal coming soon. Specifically, S&P500 increased by 8.5% while FTSE100 increased by 1.8% as the UK Conservative party won a significant majority in the parliament following the UK elections. The German index, DAX, was up by 6.6%, while the MSCI Emerging Markets Index increased by 11.4% due to news regarding a potential trade agreement between US and China as well as more reduced uncertainties regarding future global economic growth.

## Review of the consolidated preliminary financial results for 2019 and the fourth quarter of 2019.

The consolidated operating revenues of the BVB Group in 2019 were RON 34.96 mn, -12% compared to the previous year (2018: RON 39.82 mn), a decrease determined by the trading segment (BVB individual) as well as the registry segment - Central Depository (DC)

- **BVB Individual revenues, respectively of the trading segment, 2019, -19%, from RON 24.25 mn to RON 19.68 mn as a result of the decrease of the trading revenues by 25%, from RON 19.20 mn to RON 14.44 mn**

## Monthly operating revenues, BVB individual, 2019 vs. 2018 (thousand RON)





### Operating revenues, BVB individual, 2019 vs 2018 (thousand RON)

Operating revenues	2019 (prelim)	2018	% from total 2019	Abs. Var	% Var
Revenues from Trading fees, out of which:	14,435	19,200	73%	-4,764	-25%
<i>Revenues from Regulated market</i>	12,652	13,457	64%	-805	-6%
<i>Revenues from Offers</i>	1,317	5,112	7%	-3,795	-74%
Issuers admission & maintenance fees	2,299	2,267	12%	32	1%
Revenues from data vending	1,532	1,412	8%	120	9%
Other revenues	<u>1,414</u>	<u>1,373</u>	<u>7%</u>	<u>40</u>	<u>3%</u>
<b>Total operating revenues</b>	<b>19,681</b>	<b>24,252</b>	<b>100%</b>	<b>-4,571</b>	<b>-19%</b>

➤ **Trading revenues, regulated market, excluding offers** - 2019, -6% (from RON 13.46 mn to RON 12.65 mn) as a result of the decrease in the traded value by 3% and the weight of the “deals” transactions ( “deals” transactions fell from 14% to 10% in total traded value; “deals” transactions are commissioned at a higher fee), representing 64% of total BVB operating revenues and 88% of trading revenues

- Trading activity at BVB on the stock market - 2019, -15%, reaching the level of RON 9.96 bn, the transactions with “regular” shares on the regulated market decreased by 3% from RON 9,68 bn to RON 9,38 bn
- Trading revenues, **the regulated market - public offers**, decrease 74% (from RON 5.11 mn to RON 1.32 mn) due to a strong base effect due to the purchase offer of Fondul Proprietatea from February 2018, which generated revenues of RON 2.60 mn
  - The market of fixed income instruments (bonds and government securities) - 2019, -9%, to the value of RON 2.01 bn (2019: RON 2.21 mn), influenced by the decrease of public offers from RON 2.03 bn to RON 1.90 bn
- The revenues from admission and maintenance remained stable during 2019, around RON 2.30 mn, representing 12% of the operating revenues of BVB
- Revenue from the data vending - 2019, + 9% up to the value of RON 1.53 mn, representing 8% of the operating revenues of BVB
- Other operating revenues (revenues from IT services, partnerships, participants feed) - 2019, +3% up to the value of RON 1.41 mn, representing 7% of the BVB’s operating revenues

The main operating indicators for the **trading activity** registered by BVB during the reporting period, compared to the year-ago period, are presented below:

Trading value (RON mn)	2019	2018	Change (%)	4Q 2019	4Q 2018	Change (%)
Trading value – shares, rights, units*	9,956	11,682	-15%	2,084	3,879	-46%
Trading value – certificates	186	336	-45%	53	83	-36%
Trading value – fixed-income*	<u>2,014</u>	<u>2,207</u>	-9%	<u>1,898</u>	<u>719</u>	164%
<b>Total</b>	<b>12,155</b>	<b>14,225</b>	<b>-15%</b>	<b>4,035</b>	<b>4,680</b>	<b>-14%</b>

**Note:** Figures refer to all markets and include offers

**DC Individual revenues** - 2019, -3% vs 2018, from RON 15.48 mn to RON 14.97 mn

- The revenues related to the post-trading segment (DC) increased by 1% (from RON 10.11 mn to RON 10.25 mn) as a result of the advance of the revenues from the cross-border settlement services



- The revenues related to the registry segment (DC) decreased by 12% (from RON 5.26 mn to RON 4.62 mn) as a base effect, considering the "one-off" revenues registered in 2018

The table below presents the main operating indicators registered by the Central Depository during the reporting period as compared to the year-ago period:

	2019	2018	Change (%)	4Q 2019	4Q 2018	Change (%)
No. companies with registry contract at CSD	870	888	-2%	870	888	-2%
No. procedures resulted from issuers' corporate events	378	349	8%	345	306	13%
<u>Local settlement</u>						
Value of trades settled on net basis (RON bn)	27.13	28.27	-4%	8.51	9.38	-9%
Value of trades settled on gross basis (RON bn)	3.31	4.09	-19%	0.64	1.17	-45%
<u>Settlements through T2S platform (euro)</u>						
Value of trades settled on gross basis (EUR mn)	116.31	672.42	-83%	107.7	157.12	-31%
Avg. monthly portfolio managed by custodians (RON bn)	42.98	41.02	5%	47.3	40.91	16%

\* Trades executed at BVB as well as allocation transactions. Value presented on a single-counted basis.

\*\* Trades executed outside trading systems and deal-type trades executed at BVB and settled on gross basis. Value presented on a single-counted basis.

**The incomes of the Investor Compensation Fund (FCI)** are represented by the interest income related to the investments of the FCI, classified as operational revenues, ie those remaining at the disposal of the FCI to cover the administrative expenses or to increase the fund's resources. They have a small share in the total operating income of the BVB Group and come to cover only a fraction of FCI's expenses.

**The consolidated operating revenues of the BVB Group - 4Q 2019**, -22% vs. 4Q 2018, from RON 10.85 mn to RON 8.51 mn, influenced by the decrease of the trading segment revenues with RON 2.40 mn, from RON 6.84 mn to RON 4.44 mn, on the background of a quarter 4 2018 marked by legislative changes with an impact on the capital market (GEO 114/2018) which has determined instability and increased short-term traded values.

**The consolidated operating expenses of the BVB Group - 2019**, increased by 1%, from RON 30.94 mn to RON 31.27 mn

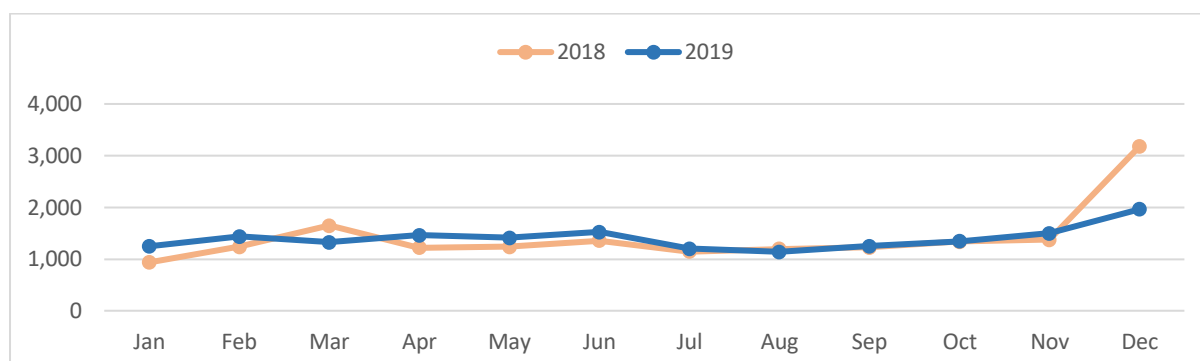
- Consolidated personnel expenses - 2019, +1% or RON 0.20 mn, from RON 16.93 mn to RON 17.13 mn as a result of the increase in salary costs, due to the pressure of rising labor costs in the labor market and the increase in staff turnover in 2019 compared to previous years, while the estimated expenses with the benefits granted in shares to the management and BVB' employees have decreased compared to the year 2018.
- Consolidated expenditure with services provided by third parties - 2019, -19%, from RON 4.09 mn to 3.30 mn as a base effect considering the expenses with consultancy services, of RON 0.98 mn lei, recorded in 2018 for the project of setting up the central counterparty (the "CCP" project). In 2019, the CCP project also generated expenses with consulting services worth RON 0.28 mn.
- The category of consolidated other operating expenses - 2019, +9% or RON 0.92 mn, from RON 9.20 mn to RON 10.84 mn, influenced by:
  - The increase of the expenses with the rents and the utilities, mainly due to the rents paid for the events carried out by BVB
  - The advance of expenses with the amortization and depreciation of the tangible and intangible assets, determined by the investments carried out at the Group level in 2018 and 2019

- The advance of the promoting expenses, which are recorded in the protocol and marketing & advertising expenses as a result of the intensified efforts to promote the capital market in 2019 compared to the previous year, efforts materialized within the announce made by FTSI announcement to include the Romanian capital market in the list of emerging markets
- The advance of the expenses with the IT maintenance services, due to the increasing requirements of providing a technical infrastructure according to the regulations in force
- Reduction of the expenses with the postal services at the level of the Central Depository, as a base effect, considering the expenses registered the previous year which had also an impact in increasing the revenues from the registry
- Reduction of net expenses with uncertain clients

The consolidated operating expenses of the BVB Group in 4Q 2019, -7% or RON 0.62 mn vs. 4Q 2018, from RON 9.46 mn to RON 8.84 mn, decrease caused by the reduction of the expenses with the services provided by third parties with a higher value than the increase of the personnel expenses and the other operating expenses

- **Operating expenses, BVB individual, 2019, -2%**, from RON 17.09 mn to RON 16.67 mainly due to the reduction of the expenses with services provided by third parties, as a result of the reduction of the expenses with the consulting services (in 2018 being recorded expenses related to the “CCP” project of RON 0.98 mn), which covered the advance of other operational expenses.

#### Monthly operating expenses, BVB individual, 2019 vs. 2018 (thousand RON)



#### Operating expenses BVB Individual, 2019 vs 2018 (thousand RON)

Operating expenses	2019 (prelim)	2018	Abs. Var.	Var. %
Personnel expenses and Director's fees., out of which:	<b>8,911</b>	<b>9,001</b>	<b>-89</b>	<b>-1%</b>
<i>Personnel expenses</i>	6,929	6,375	554	9%
<i>Estimated expenses - SOP &amp; bonuses</i>	641	1,134	-493	-43%
Services provided by third parties, out of which:	<b>1,950</b>	<b>2,739</b>	<b>-788</b>	<b>-29%</b>
<i>Business consulting services</i>	277	1,166	-889	-76%
<i>Other third party services</i>	658	623	35	6%
Other operating expenses, out of which:	<b>5,808</b>	<b>5,349</b>	<b>459</b>	<b>9%</b>
<i>Rent and office utilities</i>	1,171	1,045	126	12%
<i>Amortisation and depreciation of fixed assets</i>	1,476	1,237	238	19%
<i>Marketing and protocol expenses</i>	667	461	205	45%
<i>IT maintenance expenses</i>	747	636	111	17%
<i>Travel expenses</i>	407	586	-179	-31%
<b>Total Operating expenses</b>	<b>16,670</b>	<b>17,088</b>	<b>-418</b>	<b>-2%</b>

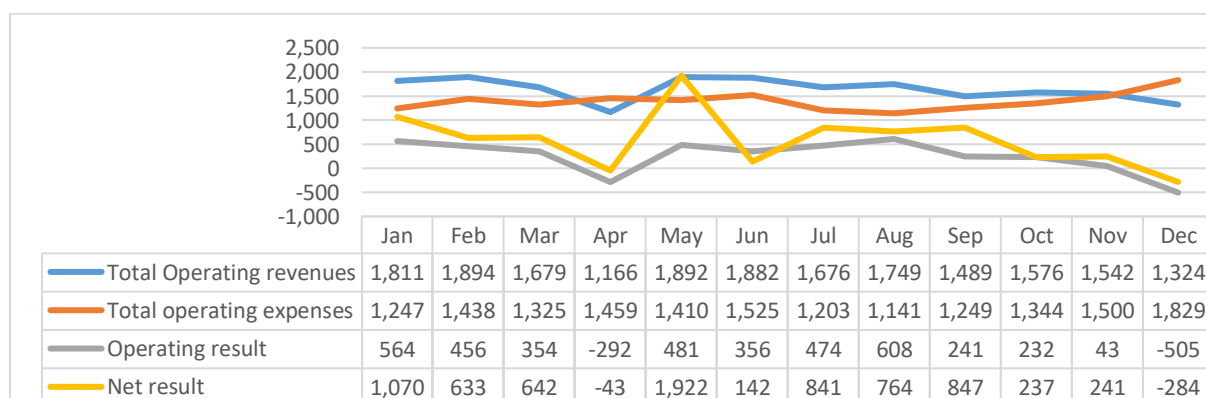
- Personnel expenses and Directors' fees, BVB individual, 2019, -1%, to RON 8.91 mn, the pressure of rising salary costs in the labor market and the increase of personnel fluctuation in 2019 compared to previous years, generated an increase in salary expenses, advance offset by the reduction of the estimated expenses with the benefits granted in shares to the management and the employees
- Expenses with the services provided by third parties, BVB individual, 2019, -29%, due to the reduction of the expenses with the consulting services, as a base effect considering that in 2018 were recorded expenses related to the "CCP" project of RON 0.98 mn. In 2019, the CCP project also generated expenses with consulting services amounting to RON 0.28 mn.
- The category of other operating expenses, BVB individual - 2019, +9% or RON 0.46 mn, from RON 5.35 mn to RON 5.81 mn, influenced by:
  - The increase of the expenses with the rents and the utilities, mainly due to the rents paid for the events carried out by BVB
  - The advance of expenses with the amortization and depreciation of the tangible and intangible assets, determined by the investments carried out by BVB in 2018 and 2019
  - The advance of promoting expenses by RON 0.05 mn, up to the value of RON 1.56 mn (2018: RON 1.51 mn), which are recorded in the protocol, marketing & advertising, travel and the third-party services for events expenses (included in the category of expenses with the services provided by third parties) as a result of intensified efforts to promote the capital market in 2019 compared to the previous year.

This increase of the promoting expenses was covered by the advance of the revenues from the partnerships (resulting from the organization of events for the promotion of the capital market) by RON 0.05 mn, up to the value of RON 0.50 mn, so the net impact of the promotion measures was reduced to RON 1.06 mn, similar to the level recorded in 2018

- **Operating expenses, DC individual**, 2019, +4%, from RON 13.37 mn to RON 13.93 mn influenced by the increase of personnel expenses and other operational expenses, together generating an advance of RON 0.63 mn
- **The consolidated operating profit of the BVB Group - 2019**, -58%, from RON 8.88 mn to RON 3.70 mn result of the combined effect of the decrease of the operating revenues by 12% and the increase of the operating expenses by 1%

Operating profit, **BVB individual** - 2019, -58%, from RON 7.16 mn to RON 3.01 mn, with 15% operating margin. This includes intra-group transactions (for trading segment values, excluding intra-group transactions - see Note 6 Segment reporting)

### 2019 Monthly evolution, BVB individual (thousand RON)



Operating profit, **DC individual** - 2019, -50%, from RON 2.10 mn to RON 1.05 mn, with 7% operating margin. This includes intra-group transactions (for post-trade and registry segments values, excluding intra-group transactions - see Note 6 Segment reporting)

- Consolidated operating profit of BVB Group, 4Q 2019, -123% or RON 1.71 mn vs. 4Q 2018, from RON 1.39 mn to an operating loss of RON 0.33 mn as a result of the revenues reduction by 22% while the operational expenses decreased by 7%
- **Net financial income - 2019**, +22%, from RON 3.63 mn to RON 4.42 mn, mainly determined by the advance of the realized and unrealized exchange rate differences from the revaluation of the financial instruments in foreign currency that generated a gain of RON 1.06 mn vs. RON 0.68 mn in 2018, but also as a result of the sale of financial assets (government securities) that generated a gain of RON 0.54 mn, exceptional sale for financing the investment in the new CCP.RO subsidiary.

Net financial income, **BVB individual** - 2019, +25% or RON 1.03 mn, from RON 4.03 mn to RON 5.06 mn, and includes the dividend income from the Central Depository of RON 1.38 mn. For the trading segment values, excluding dividend income from the Central Depository - see Note 6 Segment reporting

Net financial income, **DC individual** - 2019, + 53% or RON 0.28 mn, from RON 0.53 mn to RON 0.82 mn. For the post-trade and registry segment values - see Note 6 Segment reporting

- The net consolidated financial income – 4Q 2019, -43%, to the value of RON 0.49 mn, decrease marked by the adverse variation of realized and unrealized exchange rate differences from the revaluation of the financial instruments in foreign currency that generated a loss of RON 0.23 mn vs. a gain of RON 0.19 mn in 4Q 2018, partially offset by the sale of financial assets (government securities) that generated a revenue of RON 0.15 mn
  - **The consolidated net profit of the BVB Group - 2019**, -33%, from RON 10.19 mn to RON 6.83 mn, 78% being generated by the Group's trading segment, while the profit attributable to the shareholders of the parent company is RON 6.50 mn (2018: RON 9.75 mn)
- Net profit, **BVB individual** - 2019, -26%, from RON 9.49 mn to RON 7.01 mn, with 36% net margin. This includes intra-group transactions (for trading segment values, excluding intra-group transactions - see Note 6 Segment reporting)
- Net profit, **DC individual** - 2019, -28%, from RON 2.27 mn to RON 1.64 mn, with 11% net margin. This includes intra-group transactions (for post-trade and registry segments values, excluding intra-group transactions - see Note 6 Segment reporting)
- The consolidated net profit of the BVB Group – 4Q 2019, -93% or RON 1.90 mn, from RON 2.04 mn to RON 0.14 mn, adversely influenced by both the operating loss and the decrease of the financial profit

### Review of the consolidated financial position as of end-December 2019

- **Total assets** as at December 31, 2019, -1% or RON 1.19 mn vs. the value from December 31, 2018, to RON 212.94 mn lei, influenced by the decrease of the non-current assets at a higher level than the increase in current assets
- **Non-current assets**, -18% compared to the beginning of the year, from RON 75.29 mn to RON 61.44 mn, mainly due to the maturity and the sale of financial assets (government securities) that generated the increase in cash, exceptional sale in order to finance the investment in the new CCP.RO subsidiary
- **Current assets**, + 9% compared to the beginning of the year, from RON 138.84 mn to RON 151.50 mn, mainly as a result of the increase in cash, influenced by the consolidation of the new subsidiary (CCP.RO Bucharest SA - CCP. RO) whose liquidities of RON 79.8 million lei were placed at the end of 2019 in bank deposits with maturities below 90 days.

- Also the current assets of the group were influenced by the decrease of the current assets represented by funds available for dividend payments to be made by the Central Depository to the shareholders of the listed companies, clients of the Central Depository, from RON 66.69 mn to RON 37.00 mn.
- The **total payables** of the Group are only short term, as at December 31, 2019, amounting to RON 62.62 mn, -33% compared to the value as of December 31, 2018 of RON 93.71 mn, mainly as a result of the reduction of payables related to dividend payments held by the Central Depository with the amount of RON 29.70 mn.  
59% of the total debts are represented by dividends to be paid by the Central Depository on behalf of its clients amounting to, amounting to RON 37.00 mn, and 32% represent guarantee, clearing and margin funds for settlement of transactions, amounting to RON 20.29 mn
- **Shareholder's equity**, + 25% compared to the beginning of the year, up to RON 150.32 mn, influenced by the increase of the non-controlling interests by RON 31.94 mn, mainly determined by the contribution to the share capital of the CCP.RO by the minority shareholders with the amount of RON 32.30 mn.  
The result of the year 2019, lower than the result of the year 2018 distributed in the form of dividends in Q2 2019, resulted in the reduction of the retained earnings by RON 3.28 mn, from RON 10.02 mn to RON 6.75 mn.

## Other events

Following the transposition of the Decision of the General Meetings of the BVB Shareholders from 2018 and 2019, the Central Counterparty - CCP.RO Bucharest SA was established at the end of 2019. The expenses contracted and recorded by BVB in 2018, expenses with consulting and assistance services for setting up a new subsidiary in order to be authorized and function as a Central Counterparty, in the amount of RON 0.98 mn, will be invoiced in 2020, after approval by the General Shareholders Meetings of CCP.RO Bucharest SA.

# **Condensed consolidated interim financial statements as of 31 December 2019**

**Prepared in accordance with  
International Financial Reporting Standards  
as adopted by the European Union**

## Condensed consolidated income statement and statement of comprehensive income

All amounts are indicated in RON, unless otherwise stated

	Financial year ended	
	31 Dec 2019	31 Dec 2018
	Unaudited	Audited
Revenues from services	34,182,240	39,224,104
Other revenues	<u>781,491</u>	<u>600,783</u>
<b>Operating revenue</b>	<b>34,963,731</b>	<b>39,824,887</b>
Personnel expenses and Directors' fees	(17,134,418)	(16,930,346)
Expenses with services provided by third parties	(3,296,296)	(4,092,131)
Other operating expenses	<u>(10,836,972)</u>	<u>(9,919,849)</u>
<b>Operating profit</b>	<b><u>3,696,044</u></b>	<b><u>8,882,560</u></b>
Net financial revenues/(expenses)	4,422,668	3,628,877
(Losses)/Gains from subsidiaries impairment	<u>56,204</u>	<u>(24,728)</u>
<b>Profit before tax</b>	<b>8,174,916</b>	<b>12,486,710</b>
Corporate income tax expense	(1,344,776)	(2,047,817)
Profit from continuing operations	6,830,140	10,438,893
Profit from discontinued operation	-	<u>(251,665)</u>
<b>Profit for the period</b>	<b><u>6,830,140</u></b>	<b><u>10,187,228</u></b>
<b>Profit attributable to:</b>		
Non-controlling interests	334,619	438,806
Owners of the Company	<u>6,495,521</u>	<u>9,748,422</u>
<b>Profit for the period</b>	<b>6,830,140</b>	<b>10,187,228</b>
<b>Earnings per share</b>		
Earnings per share – base/diluted (RON)	0.8070	1.2111

The notes on pages 22 to 29 are an integral part of these condensed consolidated financial statements.

General Manager,  
Adrian Tănase

Financial Manager,  
Virgil Adrian Stroia



## Condensed consolidated income statement and statement of comprehensive income

All amounts are indicated in RON, unless otherwise stated

	Three-month period ended	
	31 Dec 2019	31 Dec 2018
	Unaudited	Audited
Revenues from services	8,278,841	10,621,330
Other revenues	<u>234,515</u>	<u>224,637</u>
<b>Operating revenue</b>	<b>8,513,356</b>	<b>10,845,967</b>
Personnel expenses and Directors' fees	(4,692,397)	(4,594,616)
Expenses with services provided by third parties	(1,019,044)	(1,801,979)
Other operating expenses	<u>(3,127,326)</u>	<u>(3,061,999)</u>
<b>Operating profit</b>	<b><u>(325,411)</u></b>	<b><u>1,387,373</u></b>
Net financial revenues/(expenses)	492,137	865,918
(Losses)/Gains from subsidiaries impairment	—	<u>(24,728)</u>
<b>Profit before tax</b>	<b>166,726</b>	<b>2,228,563</b>
Corporate income tax expense	(27,827)	(363,618)
Profit from continuing operations	138,900	1,864,945
Profit from discontinued operation	—	<u>174,755</u>
<b>Profit for the period</b>	<b><u>138,900</u></b>	<b><u>2,039,700</u></b>
<b>Profit attributable to:</b>		
Non-controlling interests	(42,407)	164,689
Owners of the Company	<u>181,307</u>	<u>1,875,011</u>
<b>Profit for the period</b>	<b><u>138,900</u></b>	<b><u>2,039,700</u></b>
<b>Earnings per share</b>		
Earnings per share – base/diluted (RON)	0.0225	0.2329

The notes on pages 22 to 29 are an integral part of these condensed consolidated financial statements.

General Manager,

Adrian Tănase

Financial Manager,

Virgil Adrian Stroia

## Condensed consolidated statement of financial position

All amounts are indicated in RON, unless otherwise stated

	31 Dec 2019	31 Dec 2018
	Unaudited	Audited
<b>Non-current assets</b>		
Tangible assets	7,442,523	7,850,199
Intangible assets	3,281,002	3,357,115
Restricted financial assets covering the guarantee and clearing funds and the margin at amortised cost	17,046,415	14,751,612
Financial assets at amortised cost	<u>33,670,059</u>	<u>49,329,673</u>
<b>Total non-current assets</b>	<b><u>61,439,999</u></b>	<b><u>75,288,599</u></b>
<b>Current assets</b>		
Trade and other receivables	3,096,047	5,145,718
Prepayments	460,106	500,877
Bank deposits	22,408,681	20,176,232
Restricted bank deposits covering the guarantee fund and the margin	3,326,358	2,814,314
Restricted financial assets covering the guarantee and clearing funds and the margin at amortised cost	50,561	3,889,184
Other financial assets at amortised cost	3,449,485	4,173,054
Cash and cash equivalents	81,712,611	35,292,005
Other restricted assets at amortised cost	36,996,156	66,692,122
Assets classified as held for sale	-	160,292
<b>Total current assets</b>	151,500,006	<b><u>138,843,798</u></b>
<b>Total assets</b>	<b><u>212,940,005</u></b>	<b><u>214,132,397</u></b>
<b>Equity</b>		
Share capital	80,492,460	80,492,460
Treasury shares and and Share-base benefits	54,429	(683,716)
Share premiums	6,303,263	6,303,263
Legal reserve	10,948,241	10,458,721
Revaluation reserve	3,644,141	3,644,141
Retained earnings	<u>6,746,047</u>	<u>10,021,138</u>
<b>Total shareholders' equity attributable to the owners of the Company</b>	<b><u>108,188,579</u></b>	<b><u>110,236,007</u></b>
Non-controlling interests	42,130,895	10,190,477
<b>Total shareholders' equity</b>	<b><u>150,319,474</u></b>	<b><u>120,426,484</u></b>

## Condensed consolidated statement of financial position (continued)

All amounts are indicated in RON, unless otherwise stated

	<b>31 Dec 2019</b>	<b>31 Dec 2018</b>
	Unaudited	Audited
<b>Payables</b>		
Trade and other payables	41,406,568	71,173,266
Deferred income	901,104	892,490
Current corporate income tax payables	27,827	277,907
Guarantee and clearing funds and settlement operation margin	20,285,032	21,361,970
Liabilities directly associated with assets classified as held for sale	-	280
<b>Total current payables</b>	<b><u>62,620,531</u></b>	<b><u>93,705,913</u></b>
<b>Total payables and equity</b>	<b><u>212,940,005</u></b>	<b><u>214,132,397</u></b>

The notes on pages 22 to 29 are an integral part of these condensed consolidated financial statements.

General Manager,

Adrian Tănase

Financial Manager,

Virgil Adrian Stroia

## Condensed consolidated statement of changes in equity

All amounts are indicated in RON, unless otherwise stated

Unaudited	Treasury shares			Retained earnings	Revaluation reserve	Legal reserve	Total		Total shareholders' equity
	Share capital	Share premiums	and Share-base benefits				attributable to shareholders	Non-controlling interests	
Balance as at 1 January 2019	<u>80.492.460</u>	<u>6.303.263</u>	<u>(683.716)</u>	<u>10.021.138</u>	<u>3.644.141</u>	<u>10.458.721</u>	<u>110.236.007</u>	<u>10.190.477</u>	<u>120.426.484</u>
<b>Comprehensive income for the year</b>									
Profit or loss	-	-	-	6,495,521	-	-	6,495,521	334,619	6,830,140
<b>Other items of comprehensive income</b>									
Legal reserve increase	-	-	-	(501,482)	-	501,482	-	-	-
Total other items of comprehensive income	-	-	-	<u>(501,482)</u>	-	<u>501,482</u>	-	-	-
<b>Total comprehensive income for the year</b>	-	-	-	<b>5,994,039</b>	-	<b>501,482</b>	<b>6,495,521</b>	<b>334,619</b>	<b>6,830,140</b>
<b>Contributions by and distributions to owners of the Company</b>									
Benefits granted to employees settled in shares	-	-	562,536	-	-	-	562,536	0	562,536
Losses as effect of granting shares for free within SOP	-	-	175,609	(175,609)	-	-	-	-	-
Dividend paid to owners of BVB	-	-	-	<u>(9.021.420)</u>	-	-	<u>(9.021.420)</u>	-	<u>(9.021.420)</u>
<b>Total contributions by and distributions to owners of the Company</b>	-	-	<b>738,144</b>	<b>(9,197,029)</b>	-	-	<b>(8,458,884)</b>	-	<b>(8,458,884)</b>
Variation of interests in subsidiaries	-	-	-	(72,102)	-	(11,963)	(84,064)	32,224,054	32,139,990
Dividend paid to minority shareholders	-	-	-	-	-	-	-	<u>(618,255)</u>	<u>(618,255)</u>
<b>Total changes in interests in subsidiaries</b>	-	-	-	<b>(72,102)</b>	-	<b>(11,963)</b>	<b>(84,064)</b>	<b>31.605.799</b>	<b>31.521.735</b>
<b>Total transactions with owners</b>	<u>-</u>	<u>-</u>	<u>738,144</u>	<u>(9,269,131)</u>	<u>-</u>	<u>(11,963)</u>	<u>(8,542,948)</u>	<u>31.605.799</u>	<u>23.062.851</u>
<b>Balance as at 31 December 2019</b>	<u>80.492.460</u>	<u>6.303.263</u>	<u>54.429</u>	<u>6.746.047</u>	<u>3.644.141</u>	<u>10.948.241</u>	<u>108.188.579</u>	<u>42.130.895</u>	<u>150.319.474</u>

## Condensed consolidated statement of changes in equity (continued)

All amounts are indicated in RON, unless otherwise stated

Audited	Share capital	Share premium	Treasury shares and Share-base benefits	Retained earnings	Revaluation reserve	Legal reserve	Total attributable to shareholders	Non-controlling interests	Total shareholders' equity
Balance as at 31 December 2017, restated	80,492,460	6,303,263	834,705	14,841,507	3,644,141	9,858,111	114,304,777	10,695,922	125,000,699
Impact Opening balances –IFRS9	-	-	-	(344,153)	-	-	(344,153)	(59,798)	(403,951)
Balance as at 31 December 2017, restated	<u>80,492,460</u>	<u>6,303,263</u>	<u>834,705</u>	<u>14,497,354</u>	<u>3,644,141</u>	<u>9,858,111</u>	<u>113,960,624</u>	<u>10,636,124</u>	<u>124,596,748</u>
<b>Comprehensive income for the year</b>									
Profit or loss	-	-	-	9,748,422	-	-	9,748,422	438,806	10,187,228
<b>Other items of comprehensive income</b>									
Legal reserve increase	-	-	-	(600,611)	-	600,611	-	-	-
Total items of comprehensive income	-	-	-	<u>(600,611)</u>	-	<u>600,611</u>	-	-	-
<b>Total comprehensive income for the year</b>	-	-	-	<u>9,147,811</u>	-	<u>600,611</u>	<u>9,748,422</u>	<u>438,806</u>	<u>10,187,228</u>
<b>Contributions by and distributions to owners of the Company</b>									
Acquisition of treasury shares	-	-	(997,995)	-	-	-	(997,995)	-	(997,995)
Benefits granted to employees settled in shares	-	-	1,036,530	-	-	-	1,036,530	-	1,036,530
Losses as effect of granting shares for free within SOP	-	-	112,454	(112,454)	-	-	-	-	-
Dividend paid to BVB shareholders	-	-	-	(13,550,791)	-	-	(13,550,791)	-	(13,550,791)
Total contributions by and distributions to owners of the Company	-	-	<u>150,989</u>	<u>(13,663,245)</u>	-	-	<u>(13,512,256)</u>	-	<u>(13,512,256)</u>
<b>Change in interests in subsidiaries that do not result in a loss of control</b>									
Dividend paid to minority shareholders	-	-	-	-	-	-	-	(419,780)	(419,780)
Reduction of non controlling interests	-	-	-	-	-	-	-	(304,180)	(304,180)
Reclassification of NCI to parent company	-	-	-	114,952	-	-	114,952	(114,952)	-
Change in retained earnings - subsidiaries	-	-	-	(75,733)	-	-	(75,733)	(45,541)	(121,274)
Total changes in interests in subsidiaries	-	-	-	<u>39,219</u>	-	-	<u>39,219</u>	<u>(884,453)</u>	<u>(845,234)</u>
<b>Total transactions with owners</b>	-	-	<u>150,989</u>	<u>(13,624,026)</u>	-	-	<u>(13,473,037)</u>	<u>(884,453)</u>	<u>(14,357,490)</u>
<b>Balance as at 31 December 2018</b>	<u>80,492,460</u>	<u>6,303,263</u>	<u>(683,716)</u>	<u>10,021,138</u>	<u>3,644,141</u>	<u>10,458,721</u>	<u>110,236,007</u>	<u>10,190,477</u>	<u>120,426,484</u>

The notes on pages 22 to 29 are an integral part of these condensed consolidated financial statements.

## Condensed consolidated statement of cash flows

All amounts are indicated in RON, unless otherwise stated

	Financial year ended	
	31 Dec. 2019	31 Dec. 2018
	Unaudited	Audited
<b>Cash flows used in operating activities</b>		
Profit for the year	6,830,140	10,187,228
Adjustments to remove non-cash items and reclassifications:		
Depreciation of fixed assets	2,744,654	2,278,239
Net interest income	(2,959,587)	(3,072,508)
Income from the sale of financial assets	(541,219)	-
Loss from impairment of uncollected receivables	293,056	283,096
Net expenses/(revenue) with receivables adjustment	(178,433)	24,749
Corporate income tax expense – reclassification	1,344,776	2,047,817
Investments in subsidiaries impairment	(56,204)	24,728
Income from the production of intangible assets	(501,595)	(302,708)
Net provision for holiday not-taken	-	(196,000)
(Revenues)/Expenses with Expected credit losses IFRS 9	129,526	114,992
Expense with employees' benefits settled in shares	562,536	1,036,530
Other non-cash adjustments	-	(281,289)
<b>Cash flows used in operating activities</b>	<b>7,667,650</b>	<b>12,144,874</b>
Change in trade and other receivables	31,625,515	(17,370,121)
Change in prepayments	40,770	(112,594)
Change in trade and other payables, including amounts due for dividends payment to clients	(32,608,028)	14,513,537
Change in deferred income	8,614	(6,899)
Changes in guarantee and clearing funds and the margin	1,528,249	675,101
Corporate income tax paid	(1,594,857)	(297,455)
<b>Net cash from operating activities</b>	<b>6,667,912</b>	<b>9,546,443</b>
<b>Cash flows from investing activities</b>		
Interest received	3,878,690	3,206,005
Interest received from assets covering the guarantee and clearing funds and margin	662,661	35,517
Payments for acquisitions of financial assets	(29,294,608)	(18,229,832)
Proceeds from sales/maturation of financial assets	46,048,395	27,492,038
Change in bank deposits balance	(2,735,849)	11,136,779
Acquisition of tangible and intangible assets	(1,759,271)	(1,830,640)
Change in held for sale assets	56,204	803,338
<b>Net cash from investing activities</b>	<b>16,856,223</b>	<b>22,613,205</b>

## Condensed consolidated statement of cash flows (continued)

All amounts are indicated in RON, unless otherwise stated

	<b>31 Dec. 2019</b>	<b>31 Dec. 2018</b>
	Unaudited	Audited
<b>Cash flows from financing activities</b>		
Dividends paid shareholders of the parent	(8,785,401)	(13,173,276)
Dividends paid to minority interests	(618,127)	(419,721)
Released share capital of CCB's to minor shareholders	-	(901,587)
Cash contribution in subsidiaries equity by minority shareholders	32,300,000	-
Acquisition of treasury shares	-	(997,995)
<b>Net cash used in financing activities</b>	<b>22,896,472</b>	<b>(15,492,579)</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>	<b>46,420,606</b>	<b>16,667,069</b>
Cash and cash equivalents 1 January	<u>35,292,005</u>	<u>18,624,936</u>
<b>Cash and cash equivalents 31 December</b>	<b>81,712,611</b>	<b>35,292,005</b>

The notes on pages 22 to 28 are an integral part of these condensed consolidated financial statements.



# Notes to the condensed consolidated financial statements

All amounts are indicated in RON, unless otherwise stated

## 1. General information

### Identification data

34-36 Carol I Blvd., floors 13-14,  
District 2, Bucharest

Address

J40/12328/2005

Trade Register No

17777754

Sole Registration Code

The Bucharest Stock Exchange (BVB) was established on 21 June 1995 as a public non-profit institution, based on the Decision of the National Securities Commission (NSC) no. 20/1995 and in July 2005 it became a joint stock company.

BVB is the leading exchange in Romania and operates several markets:

- The 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;
- AeRO Market, designed for start-ups and SMEs, launched on 25 February 2015; separate sections of the alternative trading system are available for trading foreign stocks listed on other markets.

### Main activity

Administration of financial  
markets

CAEN code 6611

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.

### Share tickers

BVB

BVB.RO (Bloomberg)

BBG000BBWMN3 (Bloomberg  
BBGID)

ROBVB.BX (Reuters)

ROBVBAACNOR0 (ISIN)

Since 8 June 2010, BVB is a listed company on its own spot regulated market and is included in the Premium Tier. The company's share capital consists of 8,049,246 shares with a nominal value of RON 10.

In accordance with the provisions of article 136 paragraph 5 of Law no. 126/2018 on financial instruments, no shareholder of a market operator can hold, directly or indirectly, more than 20% of the total voting rights. At the end of December 2019, there were no shareholders holding stakes exceeding this threshold.

BVB is included in indices focused on listed stock exchanges and other trading venues (FTSE Mondo Visione Exchanges Index and Dow Jones Global Exchanges Index), as well as in local market indices: BET and its total return version BET-TR, BET-XT and BET-XT-TR, BET-BK, BET Plus.

## Subsidiaries

BVB is the parent company of BVB Group, which includes the following subsidiaries:

- Central Depository (Depozitarul Central), 69.04% owned by BVB, performs clearing / settlement operations for transactions with securities carried out at BVB and keeps the register of shareholders;
- Investors' Compensation Fund (Fondul de Compensare a Investitorilor), 62.45% owned by BVB, pays compensations when fund members fail to return the money or the financial instruments owed by or belonging to investors, which have been held on their behalf for the provision of financial investment or individual investment portfolio management services;
- Corporate Governance Institute (Institutul de Guvernare Corporativă), fully owned by BVB, offers training services to listed companies and capital market participants, in corporate governance and sustainable development areas;
- CCP.RO Bucharest, 59.52% owned by BVB, was registered at the Trade Register on November 4, 2019 and aims to ensure the role of central counterparty in the derivative transactions market. The effective launch of the operations is estimated to last up to 24 months, taking into account the authorization process by the FSA in accordance with EMIR rules;

The consolidated financial statements of BVB for the financial year ended 31 December 2019 include the financial information of the Company and its subsidiaries, except for the Corporate Governance Institute, an entity considered by BVB management as insignificant for inclusion in the Group's consolidated financial statements and reports.

## 2. Basis of preparation

The preliminary condensed consolidated financial statements for the financial year ended 31 December 2019 have been prepared in accordance with IAS 34, 'Interim financial reporting'. They do not include all the information required for a complete set of financial statements prepared in accordance with International Financial Reporting Standards. These interim condensed consolidated financial statements should be read in conjunction with the annual consolidated financial statements for the year ended 31 December 2018, which have been prepared in accordance with IFRSs.

In the preliminary condensed consolidated financial statements, subsidiaries – those companies in which the Group, directly or indirectly, holds more than half of the voting rights or which have the power to exercise control over operations – are fully consolidated.

## 3. Accounting policies

The accounting policies and methods of computation followed in these condensed consolidated financial statements are consistent with those used in the most recent annual financial statements, prepared for the year ended 31 December 2018.

The Group adopted IFRS 16 ("IFRS 16") as of the transition date 1 January 2019. The new standard sets out the principles for the recognition, measurement, presentation and disclosure of leases. All leases result in the lessee obtaining the right to use an asset at the start of the lease and, if lease payments are made over time, also obtaining financing. Accordingly, IFRS 16 eliminates the classification of leases as either operating leases or finance leases as is required by IAS 17 and, instead, introduces a single lessee accounting model. Lessees will be required to recognize: (a) assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value; and (b) depreciation of lease assets separately from interest on lease liabilities in the income statement. IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. The Group has chosen to use the optional exceptions provided by IFRS 16 standard in respect of asset classification, respectively not to apply this standard in the case of contracts that were not previously identified as containing a lease in accordance with IAS 17 and IFRIC 4. Thus, the adoption of IFRS 16 does not have a significant effect on the Group's condensed consolidated preliminary financial statements.

Taxes on income in the interim periods are accrued using the tax rate and calculation methodology that would be applicable to expected total annual profit or loss.

## 4. Estimates

The preparation of standalone condensed preliminary financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these condensed interim financial statements, the significant judgments made by management in applying the company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual standalone financial statements for the year ended 31 December 2018.

## 5. Financial risk management and financial instruments

### 5.1 Financial risk factors

The company's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The consolidated condensed preliminary financial statements do not include all financial risk management information and disclosures required in the annual financial statements; they should be read in conjunction with the company's annual financial statements as at 31 December 2018.

There have been no changes in risk management or in any risk management policies since the year end.

## 5.2 Liquidity risk

Compared to year end, there was no material change in the company's liquidity position.

## 5.3 Fair value estimation

The various levels at which the company measures the fair value of financial instruments have been defined as follows:

- Quoted prices (unadjusted) in active markets for similar instruments (Level 1).
- Inputs other than quoted prices included within level 1 that are observable for the financial instrument, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).
- Inputs for the financial instrument that are not based on observable market data (that is, unobservable inputs) (Level 3).

During the reporting period there have been no significant changes in carrying amounts and fair values of the main categories of assets and liabilities, as compared to 31 December 2018.

## 5.4 Fair value of financial assets and liabilities measured at amortized cost

The fair value of the following financial assets and liabilities approximate their carrying amount:

- Trade and other receivables
- Other current financial assets
- Cash and cash equivalents
- Trade and other payables

## 6. Segment reporting

The segment information is reported by the Group's activities. Intra-group transactions are conducted under normal market conditions. Segment assets and payables include both items directly attributable to these segments and items that may be allocated using a reasonable basis.

The Group's activity consists of the following main business segments:

- Capital markets - trading (securities and financial instruments transactions on regulated markets and alternative trading systems);
- Post-trading services (services provided after a transaction is completed and the bank account is debited and the securities are transferred to the portfolio);
- Registry services (storage and updating of the registry of stakeholders for the listed companies);
- Services of the FCI and other services - related to the investors compensation scheme and other services.

The companies in the Group have been organized by segments as follows: BVB represents the "trading services" segment, the activity of the Central Depository is divided between the "post-trading services" segment and the "registry services" segment according to the share of the related revenues, while the Investors Compensation Fund (FCI) and the new subsidiary CCP.RO Bucharest are part of the services segment "FCI services and other services".

The Group's revenues, expenses and operating profit for 2019 are shown below, by segment:

2019	Trading services	Post-trading services	Registry services	FCI services and other services	Group
Revenues from clients outside the Group	19,356,567	10,251,963	4,618,741	736,460	34,963,731
Revenues from intra-group transactions*	324,395	69,406	33,206	-	427,007
Operating expenses	(16,669,557)	(9,414,217)	(4,189,494)	(994,418)	(31,267,686)
- out of which Personnel expenses and Director's fees	(8,911,432)	(5,218,349)	(2,334,419)	(670,218)	(17,134,418)
<b>Operating profit</b>	<b>2,687,010</b>	<b>837,744</b>	<b>429,247</b>	<b>(257,957)</b>	<b>3,696,044</b>
<b>Net financial income /(expenses)</b>	<b>3,677,866</b>	<b>570,934</b>	<b>246,060</b>	<b>(72,192)</b>	<b>4,422,668</b>
<b>Pre-tax profit</b>	<b>6,421,079</b>	<b>1,408,679</b>	<b>675,308</b>	<b>(330,149)</b>	<b>8,174,916</b>
Corporate income tax	(1,112,447)	(150,695)	(75,063)	(6,571)	(1,344,776)
Profit from continuing operations	5,308,632	1,257,983	600,244	(336,720)	6,830,140
Profit from discontinued operation	-	-	-	-	-
<b>Net profit</b>	<b>5,308,632</b>	<b>1,257,983</b>	<b>600,244</b>	<b>(336,720)</b>	<b>6,830,140</b>

\* eliminated on consolidation

The Group's revenues, expenses and operating profit for 2018 are shown below, by segment:

2018	Trading services	Post-trading services	Registry services	FCI services and other services	Group
Revenues from clients outside the Group	23,931,767	10,112,662	5,257,019	523,439	39,824,887
Revenues from intra-group transactions*	323,170	69,669	36,763	0	429,602
Operating expenses	(17,080,681)	(8,545,283)	(4,509,150)	(807,213)	(30,942,327)
- out of which Personnel expenses and Director's fees	(9,000,573)	(4,735,831)	(2,498,990)	(694,953)	(16,930,347)
<b>Operating profit</b>	<b>6,851,086</b>	<b>1,567,379</b>	<b>747,869</b>	<b>(283,774)</b>	<b>8,882,560</b>
<b>Net financial income /(expenses)</b>	<b>3,094,654</b>	<b>348,854</b>	<b>184,082</b>	<b>1,288</b>	<b>3,628,878</b>
<b>Pre-tax profit</b>	<b>9,921,012</b>	<b>1,916,233</b>	<b>931,951</b>	<b>(282,486)</b>	<b>12,486,710</b>
Corporate income tax	(1,679,731)	(240,945)	(127,141)	-	(2,047,817)
Profit from continuing operations	8,241,281	1,675,288	804,810	(282,486)	10,438,893
Profit from discontinued operation	-	-	-	(251,665)	(251,665)
<b>Net profit</b>	<b>8,241,281</b>	<b>1,675,288</b>	<b>804,810</b>	<b>(534,151)</b>	<b>10,187,228</b>

\* eliminated on consolidation

The Group's assets and payables and capital expenses are presented below, by segment:

2019	Trading services	Post-trading services	Registry services	FCI services	Group
Assets	42,180,513	24,996,211	48,272,964	97,490,317	212,940,005
Liabilities	3,484,299	3,352,988	38,508,230	17,275,014	62,620,531
Capital expenditures	1,196,363	741,512	334,547	3,890	2,276,312

2018	Trading services	Post-trading services	Registry services	FCI services	Group
Assets	91,484,208	25,017,938	78,311,479	19,318,772	214,132,397
Liabilities	3,713,345	3,253,101	68,408,022	18,331,445	93,705,913
Capital expenditures	921,976	412,659	217,751	-	1,552,386

## 7. Operating expenses

The operating expenses include the following:

### 7.1 Personnel expenses and Director's fees

	2019	2018
Personnel expenses and Director's fees, including contributions and taxes	16,493,211	15,796,286
Estimated expenses for personnel and Director's (SOP & bonuses)	641,207	1,134,060
<b>Total</b>	<b><u>17,134,418</u></b>	<b><u>16,930,346</u></b>

During the reporting period, a total of 28,808 shares, worth a market value at the granting date of RON 0.68 mn, were transferred free of charge to BVB' Board of Governors, Management and employees, according to the Stock Option Plan (SOP) approved by the General Shareholders Meeting (GSM).

### 7.2 Services provided by third parties

	2019	2018
Business consulting services	277,509	1,166,209
Financial, IT and internal audit services	351,492	274,391
Commissions & fees (legal, contributions, etc.)	547,201	599,879
Promotion activities of BVB Group	483,354	459,571
Services provided by third parties for business purposes	<u>1,636,742</u>	<u>1,592,081</u>
<b>Total</b>	<b><u>3,296,296</u></b>	<b><u>4,092,131</u></b>

Within the category of expenditures "Business consultancy services", are included the expenditures related to the CCP Project.

### 7.3 Other operating expenses

	2019	2018
Rent and office utilities	2,811,039	2,576,170
Tangible asset depreciation	1,536,306	1,215,273
Intangible asset amortisation	1,208,348	1,062,962
Costs related to FSA fees and other taxes	1,250,498	1,304,472
Consumables	236,048	280,828
IT maintenance and service	1,540,715	1,291,115
Insurance for professional equipment, etc.	230,717	219,275
Protocol	616,231	406,774
Marketing and advertising	227,802	162,292
Transport of goods and personnel	476,467	682,457
Post and telecommunications	277,770	358,127
Bank charges	74,151	78,561
Loss from non-paying customers	293,056	168,102
Expenses/(Income) from provisions for disputes	-	(118,287)
Net expenses/(income) from adjustment of receivables	(178,433)	24,749
Other expenses	236,257	206,979
<b>Total</b>	<b><u>10,836,972</u></b>	<b><u>9,919,849</u></b>

## 8. Financial income and financial costs

Financial income and expenses recognized in profit or loss account include:

	2019	2018
Net Interest income from financial assets	2,959,587	3,073,408
(Net loss)/Net gain from exchange rate differences	1,059,295	675,453
Income from the sale of financial assets	541,219	-
Other financial expenses	(7,907)	(4,989)
Net expected credit losses (IFRS 9)	<u>(129,526)</u>	<u>(114,994)</u>
<b>Net financial income</b>	<b><u>4,422,668</u></b>	<b><u>3,628,877</u></b>

## 9. Income taxes

The income tax expense is recognized based on the annual income tax rate and calculation methodology for the full financial year. The annual tax rate used for the period ended 31 December 2019 is 16% (the tax rate for the year ended 31 December 2018 was also 16%).



## 10. Dividends

The General Shareholders' Meeting (GSM) held on April 24, 2019 approved the proposed allocation of the statutory net profit for the year 2018 of the Bucharest Stock Exchange in the amount of RON 9,490,411, as follows: the amount of RON 468,880 for the legal reserve and the remaining amount in the form of the gross dividends. Thus, the amount distributed in 2019 in the form of gross dividends for 2018 was RON 9,021,531. The payment date set by the GSM was 27 June 2019.

The General Shareholders Meeting of the Central Depository held on 27 May 2019 approved the distribution of the company's statutory net profit for 2018, amounting to RON 2,266,530, as follows: RON 131,731 as legal reserve, RON 137,851 to cover losses generated by the application of IFRS 9 and RON 1,996,948 as dividends.

## 11. Share capital

As at 31 December 2019, BVB had a share capital amounting to RON 80,492,460 divided into 8,049,246 shares with a nominal value of RON 10/share, dematerialized, with the same voting rights, divided into the following categories:

	Number of shares	% of the share capital
<b>Legal entities, of which:</b>	<u>6,464,529</u>	<u>80.31%</u>
Romanian	5,881,360	73.07%
Foreign	583,169	7.25%
<b>Individuals, of which:</b>	<u>1,560,209</u>	<u>19.38%</u>
Romanian	1,399,713	17.39%
Foreign	160,496	1.99%
<b>Bucharest Stock Exchange</b>	24,508	0.30%
<b>Total</b>	<u>8,049,246</u>	<u>100.00%</u>

In accordance with the provisions of the article 136, paragraph 5 of law no. 1226/2018 on financial instruments, a shareholder of a market operator cannot own directly or indirectly more than 20% of the total voting rights. As at 31 December 2019, there were no shareholders holding stakes exceeding this threshold.

## 12. Subsequent events

There are no other events to report.

## Contact us

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### Financial reports availability

Financial reports are available in our Investor Relations section on our corporate website at this [link](#)

### Earnings conference calls

Permanent replays of our recorded earnings conference calls and the related presentations are available [here](#)  
 Presentation slides and sound will be streamed live over the web [here](#)

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