



PRELIMINARY REPORT

as of 31 December 2017

 BUCHAREST
STOCK
EXCHANGE

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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 2017 are not 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, Bucharest Clearing House, Investors Compensation Fund, SIBEX Depository.

Disclaimer

This English language report is a convenience translation of the Romanian language "*Raport preliminar întocmit la data de 31 decembrie 2017*". The Romanian version of the report is the official document.

Executive summary

**RON 13.91 bn,
+24%**

**Total trading
value, growth
compared with
2016**

(all markets, offers
included)

The Bucharest Stock Exchange (BVB) had one of the most dynamic years in its history in 2017, marked by the listing of four new private companies on the main market of the BVB and by the effervescence in the corporate bond segment.

The value traded on all markets in 2017 was RON 13.91 bn, up 24% over the previous year or by 28% over the average of the last 10 years. The average daily trading value of the regulated market, including initial and secondary public offerings, increased by 32% in 2017 compared to 2016, from RON 36.45 mn to RON 48.02 mn, and reached, the maximum of the last 3 years.

The value traded on all markets in the last quarter of 2017 exceeded RON 3.03 bn, similar value to the previous year.

**RON 48.02 mn,
+32%**

**Average daily
trading value,
growth compared
with 2016**

(regulated shares
market, offers
included)

Initial public offers continued in the last quarter of 2017 by the listing of Sphera Franchise Group (25% of its shares for RON 285 mn) and Transilvania Insurance Broker (25% of its shares for RON 9 mn). In December 2017, MedLife (M) successfully completed the share capital increase operation through the Bucharest Stock Exchange. During the operation, 2,053,082 new shares were issued, with a nominal value of RON 0.25. MedLife thus managed to finance RON 65,563,435 (EUR 14.2 mn), financial resources for the implementation of the growth plans and development of the company.

The year 2017 recorded a dynamic bond sector on the BVB, consisting in the issuing of bond offers totaling EUR 279 mn, the first execution of bonds with EUR settlement, followed by their listing on the BVB, as well as the dual listing of bond issuers.

The stock market capitalization of Romanian companies listed on BVB increased by 20% in 2017 compared to 2016 and reached almost EUR 20 bn. A historic record of more than EUR 35 bn was also registered in the capitalization of all listed companies on the main market of the BVB.

The BET, expanded from June 2017 to 13 companies by inclusion of Digi Communications (DIGI), reached 7,753 points at the end of 2017, an increase of 9% YTD. The shares that investors bought in the companies included in the BET-TR index, which includes also dividends paid by the companies included in the BET index, increased by more than 19% in 2017. Nearly 24% growth was also registered by BET-XT-TR, the index that includes the most traded 25 companies listed on the BVB and the dividends granted by them.

In December 2017, the BVB Board approved the granting of Participant status in the BVB trading system on the regulated spot market and registration in the Participants' Register for ING Bank N.V. Amsterdam Bucharest Branch.

On December 15, 2017, the Bucharest Court admitted the merger between the Bucharest Stock Exchange SA and SIBEX - Sibiu Stock Exchange S.A., the effective date of the merger being December 29, 2017. Starting with January 1, 2018, the effective merger implementation process took place. As a result of the merger, starting October, a number of 12 companies listed at SIBEX decided to list on ATS market of BVB, following the legal steps related to this process according to BVB regulations, and were admitted to trading within the Financial Instruments Section admitted to trading within BVB ATS, shares segment - AeRO Standard. Also, a number of 24 companies listed on SIBEX have been legally transferred to BVB ATS, according to the Financial Supervisory Authority (FSA) regulations, in the AeRO Base category, 18 of which are tradable.

**BVB-SIBEX
merger has
become effective**

**RON 38.05 mn,
+21%**

**Operating
revenues of BVB
Group in 2017,
growth compared
with 2016**

(as per consolidated
IFRS reporting)

During 2017, the BVB Group recorded **consolidated operating revenues** of over RON 38.05 mn (12 months 2016: RON 31.58 mn), an increase of 21% compared to the same period of the previous year, growth generated by all segments of the Group's activity.

The revenues generated by BVB, representing the Group's **trading segment**, amounted to RON 23.35 mn (excluding intra-group transactions) in 2017, up by 20% compared with 2016 (12 months 2016: RON 19.43 mn), amid the increase in traded values.

The local and cross-border **settlement activity** of the Central Depository (DC) registered an increase in 2017 due to the increase of the volumes traded on the BVB and the increase of the cross-border activity of the participants. In 2017, DC's operating revenues reached RON 13.69 mn (excluding intra-group transactions), which corresponds to an increase of 17% compared to 2016.

In 2017 **post-trading revenues** grew by 19% compared to the previous year up to RON 9,70 mn (12 months 2016: 8,12 million lei), due to the increase in trading activity of BVB, which generated a 26% increase in local settlement revenues from RON 2.23 mn to RON 2.80 mn. The 15% increase in revenues from the admission and maintenance of the participants in the clearing-settlement system of custodians, from RON 5.62 mn to RON 6.47 mn, due to the increase in the portfolio managed by DC following the registration of new financial instruments listed on BVB at the end of 2016 and during 2017 (ie MedLife, Digi Communications NV Sphera Franchise Group SA shares and bonds issued by the International Bank for Investments and UniCredit Bank, etc.) contributed also to the increase of the revenues from this segment.

**RON 9.24 mn,
+53%**

**Operating profit of
BVB Group in
2017, growth
compared with
2016**

(as per consolidated
IFRS reporting)

The revenues obtained from the **registry services** increased by 11% compared to the previous year, from RON 3.59 mn to RON 3.99 mn, due to the increase of the income obtained from the activity of distribution of dividends and other amounts of money.

Over the same period, the Group's **consolidated operating expenses** increased by 13%, from RON 25.53 mn to RON 28.82 mn, generating combined a 53% advance of the **preliminary operating profit** to RON 9.24 mn (12 months 2016: RON 6.04 mn) and an improvement with 5 percentage points of the **operating margin**. Expenditure growth was driven mainly by the increase of the other operating expenses as a base effect, as the reversal of the provision for litigation recorded by the Central Depository in previous years, amounting to RON 1.35 mn generated a decrease in operating expenses in 2016, and to a lesser extent due the increase in personnel expenses and the recording of expenses for the preparation of the BVB-SIBEX merger.

**RON 14.68 mn,
+89%**

**Net profit of BVB
Group in 2017,
growth compared
with 2016**

(as per consolidated
IFRS reporting)

The **financial income** of RON 3.65 mn was mainly represented by the interests generated from the government bonds and bank deposits, in RON and foreign currency, of the Group entities and the sale of available-for-sale financial assets (shares held in other stock exchanges). The unrealized exchange rate differences related to the foreign currency financial investments amounted to RON (1.15) mn, (2016: RON 0.57 mn, positive exchange rate diff.) were recorded due to the appreciation of RON against the USD, partially counterbalanced by the depreciation of the RON against EURO. Thus, in 2017, a **net financial profit** of RON 2.51 mn was recorded (2016: RON 3.04 mn).

The **preliminary consolidated net profit for the year 2017** reached the level of RON 14.68 mn (12 months 2016: RON 7.76 mn), up by 89% compared to the previous year, 88% generated by the Group's trading segment, which increased from RON 6.61 mn to RON 12.88 mn. The profit attributable to the shareholders of the parent company was RON 14.20 mn (12 months 2016: RON 7.59 mn).

Without taking in consideration the merger impact, BVB recorded a **preliminary individual net profit** of RON 9.90 mn (2016: RON 7.50 mn), an increase with 32% and a 100% achievement of the 2017 Budget.

**RON 3.75 mn,
+4.89%**

**Share capital
increase due to
SIBEX merger**

As a result of the merger by absorption between BVB and SIBEX, the share capital of the BVB increased by RON 3,750,480 and 375,048 shares at the nominal value of RON 10 per share. As the absorption of SIBEX was done by exchange of shares (the exchange rate being 0.01200795 SIBEX shares for 1 BVB share), the calculation of the merger records resulted in a share premium amounting to RON 6,598,896, as a difference between the value of the shares issued by the BVB at nominal value and the value of the BVB share at the effective date of the merger of RON 29.6 / share, representing the equivalent of the consideration paid by the BVB.

The fair value measurement at the effective date of the merger (December 29, 2017) of both, the assets and liabilities taken over and the consideration transferred (BVB shares) generated an **income from a gain from bargain purchases** of RON 2.88 mn, in accordance with the provisions of IFRS 3 "*Business combinations*".

The use of the tax loss carried over by SIBEX, as a result of BVB-SIBEX merger, and the compensation of the fiscal profit computed for the BVB 2017 result before the merger, led to a neutral tax result and a corporate income tax impact of RON 0.94 mn, compared to an expense of RON 1.32 mn registered by the Group in 2016, and to a revenue from deferred income tax of RON 0.33 mn., based on the fiscal result carry over and unused at the end of 2017.

Financial and operating highlights

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

	2017 (prelim)	2016	Change (%)	4Q 2017 (prelim)	4Q 2016	Change (%)
Operating revenue	38.05	31.58	21%	8.85	8.28	7%
Operating expenses	(28.82)	(25.53)	13%	(7.93)	(6.38)	24%
Operating profit	9.24	6.04	53%	0.92	1.90	-52%
Net financial revenue/(expenses)	2.50	3.04	-18%	2.06	2.01	2%
Gain on bargain purchases	2.88	-	-	2.88	-	-
(Losses)/Gains from the impairment in associates	(0.03)	-	-	(0.02)	-	-
Profit before tax	<u>14.59</u>	<u>9.08</u>	61%	<u>5.84</u>	<u>3.91</u>	49%
Profit for the period	14.68	7.76	89%	7.31	3.47	110%
Total comprehensive income	15.52	7.72	101%	7.89	3.63	117%
EPS attributable to owners (RON/share)	1.7600	0.9888	78%	0.8600	0.4188	105%

Profitability ratios (%)

	2017 (prelim)	2016	4Q 2017 (prelim)	4Q 2016
Operating margin	24%	19%	10%	23%
Net margin	39%	25%	83%	42%
Return on equity	12%	7%	6%	3%

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

	2017 (prelim)	2016	Change (%)	2017 (prelim)- without merger impact	2016	Change (%)	4Q 2017 (prelim)	4Q 2016	Change (%)
Operating revenue	23.69	19.75	20%	23.69	19.75	20%	5.14	5.26	-2%
Operating expenses	<u>16.03</u>	<u>14.04</u>	14%	<u>15.69</u>	<u>14.04</u>	12%	<u>4.31</u>	<u>3.87</u>	+11%
Operating profit	7.66	5.71	34%	7.99	5.71	40%	0.83	1.39	-40%
Net financial revenue/(expenses)	3.43	3.32	3%	3.43	3.32	3%	1.95	1.69	15%
Gain on bargain purchases	2.88	-	-	-	-	-	2.88	-	-
(Losses)/Gains from the impairment in associates and subsidiaries	(0.06)	(0.27)	-79%	(0.03)	(0.27)	-89%	(0.04)	(0.15)	-70%
Profit before tax	<u>13.92</u>	<u>8.76</u>	58%	<u>11.40</u>	<u>8.76</u>	30%	<u>5.62</u>	<u>2.93</u>	92%
Profit for the period	14.25	7.50	90%	9.90	7.50	32%	7.12	2.50	184%

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

Trading value	2017	2016	Change (%)	4Q 2017	4Q 2016	Change (%)
Shares, units, rights*	12,073	9,467	28%	2,681	2,963	-10%
Certificates	264	428	-38%	64	97	-34%
Fixed-income*	<u>1,576</u>	<u>1,353</u>	16%	<u>289</u>	<u>15</u>	1,874%

Total	13,913	11,248	24%	3,034	3,075	-1%
Avg. daily value (shares, including offers)*	48,02	36,45	32%	43,27	47,00	-8%

*Value for the Regulated market

Operating indicators, post-trading and registry segments

	2017	2016	Change (%)	4Q 2017	4Q 2016	Change (%)
No. companies with registry contract at CD	914	884	3%	914	884	3%
No. procedures resulted from issuers' corporate events	276	205	35%	34	24	42%
<u>Local settlement</u>						
Value of trades settled on net basis (RON bn)	31.94	24.82	29%	7.27	7.78	-7%
Value of trades settled on gross basis (RON bn)	4.41	2.5	76%	1.2	0.81	48%
<u>Settlements through T2S platform (euro)</u>						
Value of trades settled on gross basis (EUR bn)	0.14	-	-	0.02	-	-

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

	2017	2016	Change (%)	4Q 2017	4Q 2016	Change (%)
Closing price (e-o-p)	27.60	29.00	-5%	27.60	29.00	-5%
Weighted average price	31.55	26.08	21%	28.86	28.64	1%
High (intraday)	35.50	29.70	20%	31.20	29.70	5%
Low (intraday)	26.20	20.60	27%	26.20	27.00	-3%
Total trading value (RON mn)	25.64	10.91	135%	5.40	1.96	175%
Average trading value (RON mn)	0.10	0.04	141%	0.09	0.03	179%

Analysis of the consolidated results for 2017 and the fourth quarter of 2017

Macroeconomic background and financial markets overview in the third quarter of 2017.

Global equity markets recorded robust growth rates in the 4th quarter of 2017 as a result of healthy economic growth and benign levels of inflation as well as due to a strong earnings season. Over the year, we've seen a synchronized global growth acceleration and unemployment rates close to the lowest levels ever recorded. In Europe, economic growth continued its upward trend and corporate earnings managed to consolidate the investors' trust towards the evolution of the main economies as well as the evolution of the emerging economies. In USA, the announcement regarding the reduction in corporate tax rate to 21% as well as the earnings releases boosted the equities market returns. Romania's GDP dynamics in the 3rd quarter outpaced again the analysts' expectations growing at an 8.8% rate year over year due to rapid acceleration of consumption and the very positive performance of agriculture and the expectations regarding the advance of the economy in 2017 lean towards a 7% increase.

The US Federal Reserve (FED) raised rates again in December, for the third time in 2017, motivating its decision on the strong economic growth and the low unemployment rate. The European Central Bank (ECB) announced in October that it will reduce its monthly quantitative easing purchases down to EUR 30 bn. This lower level of purchases will begin in January 2018 and is expected to last until at least September of 2018. The National Bank of Romania maintained the 1.75% key rate during the analyzed period and kept the credit institutions' minimum reserve requirements for the RON liabilities as well as for the foreign currency liabilities to 8% level. However, the expectations are that the Central Bank will increase the rate a few times in 2018 due to the rapid acceleration of inflation.

The EUR/RON exchange rate recorded a slight increase in the third quarter of the current year, fluctuating, on average, near the value of 4.62. As for the USD/RON exchange rate, its evolution fluctuated, on average, around the level of 3.92.

International Financial markets recorded mostly positive performance in the fourth quarter amid strengthening of the global economic growth. Particularly, S&P500 jumped 6.12%, whereas FTSE100 recorded a rise of 4.27%. The German index, DAX, went up only 0.69% as political events returned amid coalition talks collapse, whereas MSCI Emerging Markets Index increased with 7.04%. The Romanian markets saw a consolidation in the 4th quarter, BET index decreased 1.58% ending the year with a gain of more than 9.4% for 2017. If the dividends were taken into consideration, the main index of BVB advanced in 2017 by more than 19%, while the extended version of the index, BET-XT-TR recorded a gain close to 24%.

Review of the consolidated financial results for 2017 and the fourth quarter the year.

The operating revenues of the BVB Group recorded a level of RON 38.05 mn during 2017, up by 21% year-on-year, as a result of the increase in all the business segments of the Group. Comparing the last quarter of 2017 with the same period of the previous year, operating revenues increased by 7% from RON 8.28 mn to RON 8.85 mn.

BVB's **trading activity** on the shares market was more intense in 2017, registering a 28% increase over the previous year to RON 12.07 bn. For the regulated shares market, the average daily turnover increased by 32% in 2017 reaching RON 48.02 mn.

The fixed-income instruments market (bonds and government securities) also recorded an advanced by 16% compared to the previous year, to a value of RON 1.58 bn (12 months 2016: RON 1.35 bn).

The structured products market decreased by 38% compared to 2016, to RON 264 mn (12 months 2016: RON 428 mn), but the impact is marginal considering that this category represents about 2% of the total traded instruments on the BVB.

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)	2017	2016	Change (%)	4Q 2017	4Q 2016	Change (%)
Trading value – shares, rights, units	12,073	9,467	28%	2,681	2,963	-10%
Trading value – certificates	264	428	-38%	64	97	-34%
Trading value – fixed-income	<u>1,576</u>	<u>1,353</u>	16%	<u>289</u>	<u>15</u>	1,874%
Total	13,913	11,248	24%	3,034	3,075	-1%

Note: Figures refer to all markets and include offers

As for the **post-trade activity** carried out by the Central Depository, the related revenues increased by 19% from RON 8.12 mn to RON 9.7 mn, due to the additional revenues from the admission and maintenance of the participants in the clearing-settlement and custodian system, and the increase of the revenues directly proportional to the activity of trading, ie the revenues from local settlement.

The revenues from the **registry activity** carried out by DC in 2017, amounting to RON 3.99 mn (12 months 2016: RON 3.59 mn), are heterogeneous and the variations are not generally significant to indicate the trend of these earnings. However, in 2017, there was a 11% increase in this revenue compared to the same period of the previous year, mainly driven by growth in revenue generated by the dividend distribution, 38% increase in 4Q, marked by additional dividends granted by a number of issuers.

In December 2017, the credit institution ING Bank NV Amsterdam Bucharest Branch was admitted into the DC system both as a clearing participant and as a participant in the clearing-settlement and registry system.

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

Post-trading and registry segment indicators	2017	2016	Change (%)	4Q 2017	4Q 2016	Change (%)
Registry activity						
No. companies with a registry contract at the Depository:	<u>914</u>	<u>884</u>	3%	<u>914</u>	<u>884</u>	3%
- listed companies	426	397	7%	426	397	7%
- closed companies	488	487	0%	488	487	0%
No. procedures resulted from issuers' corporate events, of which:	<u>276</u>	<u>205</u>	35%	<u>34</u>	<u>24</u>	42%
- share capital changes	56	56	0%	16	14	14%
- dividend payments	220	149	48%	18	10	80%
Settlement activity						
a) Admission and maintenance						
No. of intermediaries / participants to the clearing & settlement system	35	38	-8%	35	38	-8%
No. of custodians	10	11	-9%	10	11	-9%
Avg. monthly portfolio managed by custodians (RON bn)	38.8	32.48	19%	39.05	33.39	17%
No. of clearing participants paying maintenance fees	3	3	0%	3	3	0%
b) Local settlement						
Value of trades settled on net basis (RON bn)*	31.94	24.82	29%	7.27	7.78	-7%
Value of trades settled on gross basis (RON bn)**	4.41	2.5	76%	1.2	0.81	48%
c) Settlements through T2S platform (euro)						
Value of trades settled on gross basis (RON bn)	0.14	-	-	0.02	-	-

* 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 Fund, 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 expenses** of the BVB Group increased by 13% to RON 28.82 mn in 2017 (12 months 2016: RON 25.53 mn), mainly due to the increase of the other operational expenses by 27% from RON 7.58 mn to RON 9.59 mn as a base effect, as the reversal of the provision for litigations registered by the Central Depository in previous years, amounting to RON 1.35 mn, generated a decrease of the operating expenses in 2016. Also, compared to the previous year, there was an increase in the rent and utilities expenditures according to the rental contracts of the BVB Group, the expenses with other taxes, respectively those due to FSA having as a basis the operational revenues but also the expense with non-deductible VAT, partly offset by the decrease of the other categories of expenditure, such as transport and travel expenses, telecommunication and other operating expenses.

Personnel expenses include salaries, bonuses and benefits for employees and management as well as related contributions, the impact of capitalization of the salaries expenditure as result of the in-house production of intangible assets (software), the expense related to the statutory days off not claimed by the staff at the end of the year 2017, as well as other post-employment compensation (non-competing clause) granted to management.

The increase of 4% compared to the previous year comes in the context of the results achieved in 2017 and the fulfillment of the performance criteria of the former CEO's mandate contract, and comes mainly from the rights granted according to the contract.

According to the decision of the GSM to implement an Stock Option Plan for the employees, management and the Board of Governors (BoG), in December 2017 the first expenses related to the granting of shares to the eligible members of BoG, amounting to RON 0.17 mn were recorded, on the basis of the fulfillment of the conditions stipulated in the Allocation plan. The granted rights will be exercised after the allocation of the BVB shares necessary for the transfer.

During 2017 there was a 24% increase in the expenditures for **services provided by third parties** due to the recording of the expenses for the preparation of the BVB-SIBEX merger (legal, financial and fiscal consultancy, evaluation reports and due diligence, etc.) in amount of RON 0.34 mn, but also due the increase of other expenditures provided by third parties, generated by the ongoing projects of the Group, while the expenses for the financial, IT and internal audit, as well as the services rendered by third parties for different events decreased during this period, diminishing the negative impact of the increases of the above expenditure.

In the fourth quarter of 2017, operating expenses amounted to RON 7.93 mn, registered an increase by 24% compared to the same quarter of the previous year, but this increase is influenced by the decrease in operating expenses of the fourth quarter of 2016 due to the reversal of the provision for litigation by the Central Depository, registered in previous years. Without the reversal of the provision, the increase in operating expenses in the last quarter of 2017 is 3%.

The **consolidated operating profit** of the BVB Group for the year 2017 was RON 9,24 mn, up by 53% compared to 2016 (12 months 2016: RON 6,04 mn), as a result of the 21% increase in the operational revenues while the operating expenses advanced by 13%.

The fourth quarter of 2017 generated a consolidated operating profit of RON 0.92 mn, down by 52% compared to the same quarter of 2016 (4Q.2016: RON 1.90 mn), in the conditions of an increase of operational revenues by 7%, but the operating expenses increased by 24%, being mainly affected by the reversal of the DC provision which led to a decrease in operating expenses in the fourth quarter of the previous year.

The **net financial result** of RON 2.50 mn had a 17% contribution to the Group's pre-tax profits.

The financial income of RON 3.65 mn was mainly represented by interest the interests generated by government bonds and bank deposits, in RON and foreign currency, of the Group entities and the sale of available-for-sale financial assets (shares held in other stock exchanges). The unrealized exchange rate differences related to the foreign currency financial investments amounted to RON (1.15) mn, (2016: RON 0.57 mn, positive exchange rate

diff.) were recorded due to the appreciation of RON against the USD, partially counterbalanced by the depreciation of the RON against EURO. Thus, in 2017, a **net financial profit** of RON 2.51 mn was recorded (2016: RON 3.04 mn).

Thus, in 2017, there was registered a **net financial profit** of RON 2.51 mn, a decrease from RON 3.04 mn recorded in the similar period of 2016.

The net financial profit for the fourth quarter of 2017, of RON 2.06 mn, was similar to the one recorded in the last quarter of the previous year (4Q.2016: RON 2.01 mn). The revenues recorded in 4Q 2017 from the sale of available-for-sale financial assets (shares held in other stock exchanges) amounting to RON 1.30 mn covered the decrease in the revaluation of financial instruments which amounted to RON 0.16 mn (4Q.2016: RON 1.44 mn, net gain from foreign exchange differences).

The completion of the merger BVB-SIBEX determined the recording of an **income/gain from bargain purchases** of RON 2.88 mn, in accordance with the provisions of IFRS 3 "*Business combinations*".

The use of the tax loss carried over by SIBEX, as a result of BVB-SIBEX merger, and the compensation of the fiscal profit computed by BVB for 2017 result before the merger led to a neutral tax result and a **corporate income tax** impact of RON 0.94 mn, compared to an expense of RON 1.32 mn registered by the Group in 2016 and to a revenue from deferred income tax of RON 0.33 mn., based on the fiscal result carry over and unused at the end of 2017.

Preliminary consolidated net profit increased by 89% up to RON 14.68 mn (12 months 2016: RON 7.76 mn), the profit attributable to shareholders of the parent company being RON 14.20 mn (12 months 2016: RON 7.59 mn).

The total comprehensive result of the period, which also includes the differences in the revaluation of available-for-sale financial assets and the revaluation reserves of tangible assets that are not recognized in the income statement, was RON 15.52 mn (12 months 2016: RON 7,72 mn).

The consolidated net profit for the fourth quarter of 2017 amounted to RON 7.31 mn, up by 110% compared with the net result of the same period of the previous year (4Q.2016: RON 3.47 mn) being influenced significantly by the effects of BVB-SIBEX merger, thus this result was obtained in the proportion of 97% by the Group's trading segment.

Review of the consolidated financial position as of end-December 2017. At the end of December 2017, the **total assets** of the BVB Group amounted to RON 197.50 mn (31 December 2016: RON 173.00 mn), up by 14% compared to the beginning of the year, mainly due to the increase in current assets represented by funds available for dividend payments by the Central Depository to the shareholders of the listed companies, clients of the Central Depository and the cash taken over from SIBEX in amount of RON 12,33 mn, after the merger.

Fixed assets increased by 1% compared to the beginning of the year, while **current assets** increased by 26% to RON 113.50 mn (31 December 2016: RON 89.87 mn) as a result of the granting of extraordinary dividends by a number of issuers for which the shareholders of these companies did not claimed the transfer of these amounts until December 31, 2017 and the cash taken over from SIBEX in amount of RON 12,33 mn, after the merger. The amounts available for dividends payment to the Central Depository's clients were presented in **Other restricted assets** and recorded, at the end of December 2017, the amount of RON 44.34 mn (31 December 2016: RON 38.47 mn).

Within the current assets, the assets of the SIBEX Depository, are recorded as assets held for sale as a single position amounting to RON 1.55 mn, in accordance with IFRS 5 "*Non-current Assets Held for Sale and Discontinued Operations*", given the intention of closing the company.

The **total debts** of the Group are only short-term and at the end of December 2017 they amounted to RON 72.68 mn (31 December 2016: RON 64.97 mn), approximately 61% of this value, amounting to RON 44.34 mn, is represented by the dividends to be paid by the Central Depository on behalf of its clients and 28% representing guarantee funds, compensation and margin for the settlement of transactions amounting to RON 20.69 mn. The increase in total debts comparing with the beginning of the year is mainly due to the increase in the debts representing funds for dividend

payments that the Central Depository must distribute to the shareholders of the listed companies, clients of the Depository.

The remaining debts include the amounts of debts to various suppliers, other liabilities to the state budget and the social security budget, not due at the end of the analyzed period, as well as dividends to be paid from current and previous years, not yet claimed by the BVB shareholders (RON 0.71 mn).

The debts related to SIBEX Depository are also presented as a single position, within the current debts, amounting to RON 0.41 mn.

Shareholder's equity reached RON 114.13 m as at 31 December 2017, 17% higher than at the beginning of the year, amid a net current result higher than the dividends granted in the year corresponding to the result of 2016, but also because of the increase in the share capital determined by BVB-SIBEX merger.

As a result of the merger by absorption between BVB and SIBEX, the **share capital** of the BVB increased by RON 3,750,480, respectively 375,048 shares at the nominal value of RON 10 per share. As the absorption of SIBEX was done by exchange of shares (the exchange rate being 0.01200795 SIBEX shares for 1 BVB share), the calculation of the merger records resulted in a share premium amounting to RON 6,598,896, as a difference between the value of the shares issued by the BVB at nominal value and the value of the BVB share at the effective date of the merger of RON 29.6 / share, representing the equivalent of the consideration paid by the BVB.

Within the equity, there are included **treasury shares**, as the result of the redemption, in accordance with the legal provisions, of the shares held by the shareholders who did not vote in favor of the BVB-SIBEX merger, which could withdraw from the shareholding of the company. Thus, in September 2017, BVB acquired 28,276 own shares, representing 0.35% of the share capital. The acquisition price of the shares was RON 35.6376 / share, determined by an independent expert established by the National Trade Register Office.



Condensed consolidated interim financial statements as of 31 December 2017

**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 2017	31 Dec 2016
	Unaudited	Audited
Revenues from services	37,116,783	31,200,026
Other revenues	<u>935,780</u>	<u>377,894</u>
Operating revenue	38,052,563	31,577,920
Personnel expenses and Directors' fees	(16,353,957)	(15,652,657)
Expenses with services provided by third parties	(2,868,868)	(2,322,684)
Other operating expenses	<u>(9,593,966)</u>	<u>(7,557,964)</u>
Operating profit	<u>9,235,772</u>	<u>6,044,615</u>
Net financial revenues/(expenses)	2,502,119	3,038,959
Gain on bargain purchases	2,880,425	-
(Losses)/Gains from the impairment in associates	<u>(28,035)</u>	-
Profit before tax	14,590,281	9,083,574
Corporate income tax (expense)/revenue	<u>94,661</u>	<u>(1,322,168)</u>
Profit for the period	<u>14,684,942</u>	<u>7,761,406</u>
Profit attributable to:		
Non-controlling interests	488,570	173,130
Owners of the Company	<u>14,196,372</u>	<u>7,588,276</u>
Profit for the period	<u>14,684,942</u>	<u>7,761,406</u>
Differences from valuation of financial assets available for sale and revaluation reserves of tangible assets	<u>833,712</u>	<u>(42,685)</u>
Total comprehensive income for the period	<u>15,518,654</u>	<u>7,718,721</u>
Attributable to:		
Non-controlling interests	488,570	173,130
Owners of the Company	<u>15,030,084</u>	<u>7,545,591</u>
Total comprehensive income for the period	<u>15,518,654</u>	<u>7,718,721</u>
Earnings per share		
Earnings per share – base/diluted (RON)	1.7600	0.9888

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

President
Lucian Claudiu Anghel

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 2017	31 Dec 2016
	Unaudited	Unaudited
Revenues from services	8,752,769	8,186,316
Other revenues	98,939	94,195
Operating revenue	8,851,708	8,280,511
Personnel expenses and Directors' fees	(4,402,168)	(4,345,167)
Expenses with services provided by third parties	(706,469)	(654,623)
Other operating expenses	(2,825,049)	(1,383,092)
Operating profit	918,022	1,897,629
Net financial revenues/(expenses)	2,056,323	2,014,437
Gain on bargain purchases	2,880,425	-
(Losses)/Gains from the impairment in associates	(16,870)	-
Profit before tax	5,837,900	3,912,066
Corporate income tax (expense)/revenue	1,467,101	(439,700)
Profit for the period	7,305,001	3,472,366
Profit attributable to:		
Non-controlling interests	33,267	258,641
Owners of the Company	7,271,734	3,213,725
Profit for the period	7,305,001	3,472,366
Differences from valuation of financial assets available for sale and revaluation reserves of tangible assets	584,732	156,146
Total comprehensive income for the period	7,889,733	3,628,512
Attributable to:		
Non-controlling interests	33,267	258,641
Owners of the Company	7,856,466	3,369,871
Total comprehensive income for the period	7,889,733	3,628,512
Earnings per share		
Earnings per share – base/diluted (RON)	0.9034	0.4188

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

President

Lucian Claudiu Anghel

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 2017	31 Dec 2016
	Unaudited	Audited
Non-current assets		
Tangible assets	8,051,931	6,280,678
Intangible assets	3,300,271	1,859,031
Deferred tax assets	329,965	-
Held-to-maturity restricted financial assets covering the guarantee and clearing funds and the margin	11,007,771	12,574,140
Held-to-maturity financial assets	61,316,687	60,221,776
Available-for-sale financial assets	-	2,200,297
Total non-current assets	<u>84,006,625</u>	<u>83,135,922</u>
Current assets		
Trade and other receivables	4,534,498	2,850,473
Prepayments	388,283	341,978
Bank deposits	33,523,446	33,554,786
Restricted bank deposits covering the guarantee fund and the margin	2,460,449	1,949,556
Held-to-maturity restricted financial assets covering the guarantee and clearing funds and the margin	7,361,427	5,280,638
Other held-to-maturity financial assets	2,906,859	1,397,551
Cash and cash equivalents	16,440,357	6,028,375
Other restricted assets	44,337,286	38,466,316
Assets classified as held for sale	1,545,052	-
Total current assets	<u>113,497,657</u>	<u>89,869,672</u>
Total assets	<u>197,504,282</u>	<u>173,005,594</u>
Equity		
Share capital	80,492,460	76,741,980
Treasury shares	(1,007,689)	-
Share premium	6,303,263	8
Legal reserve	9,858,224	8,782,906
Revaluation reserve	3,644,141	2,810,429
Fair value reserve	-	837,628
Retained earnings	14,841,082	8,489,568
Total shareholders' equity attributable to the owners of the Company	<u>114,131,481</u>	<u>97,662,519</u>
Non-controlling interests	10,695,522	10,372,558
Total shareholders' equity	<u>124,827,003</u>	<u>108,035,077</u>

Condensed consolidated statement of financial position (continued)

All amounts are indicated in RON, unless otherwise stated

	31 Dec 2017	31 Dec 2016
	Unaudited	Audited
Payables		
Trade and other payables	50,649,637	43,150,920
Deferred income	899,389	930,958
Current corporate income tax payables	28,576	459,477
Deferred tax liabilities	-	159,548
Guarantee and clearing funds and settlement operation margin	20,686,871	20,269,614
Liabilities directly associated with assets classified as held for sale	412,806	-
Total current payables	<u>72,677,279</u>	<u>64,970,517</u>
Total payables and equity	<u>197,504,282</u>	<u>173,005,594</u>

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

President

Lucian Claudiu Anghel

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	Share capital	Share premium	Treasury shares	Retained earnings	Revaluation reserve	Revaluation reserve of available-for-sale financial assets	Legal reserve	Total attributable to shareholders	Non-controlling interests	Total shareholders' equity
Balance as at 1 January 2017	<u>76,741,980</u>	=	=	<u>8,489,576</u>	<u>2,810,429</u>	<u>837,628</u>	<u>8,782,906</u>	<u>97,662,519</u>	<u>10,372,558</u>	<u>108,035,077</u>
Total comprehensive income for the year										
Profit or loss	-	-	-	<u>14,196,372</u>	-	-	-	<u>14,196,372</u>	<u>488,570</u>	<u>14,684,942</u>
Other items of comprehensive income										
Reserve of available-for-sale financial assets	-	-	-	-	-	(837,628)	-	(837,628)	-	(837,628)
Reserve of land revaluation	=	=	=	=	<u>833,712</u>	=	=	<u>833,712</u>	-	<u>833,712</u>
Total items of comprehensive income	=	=	=	=	<u>833,712</u>	<u>(837,628)</u>	=	<u>(3,916)</u>	=	<u>(3,916)</u>
Total comprehensive income for the year	=	=	=	<u>14,196,372</u>	<u>833,712</u>	<u>(837,628)</u>	=	<u>14,192,456</u>	<u>488,570</u>	<u>14,681,026</u>
Transactions with owners of the Company, recognized directly in equity										
Acquisition of treasury shares	-	-	(1,007,689)	-	-	-	-	(1,007,689)	-	(1,007,689)
Contributions by and distributions to owners of the Company										
Share capital increase/(decrease)	3,750,480	6,598,896		(8)				10,349,368	10,349,368	
Legal reserve increase	-	(295,633)	-	(779,685)	-	-	1,075,318	-	-	-
Acquisition of non-controlling interests									304,180	304,180
Adjustment of retained earnings	-	-	-	(2,767)	-	-	-	(2,767)	-	(2,767)
Dividend paid to shareholders	=	=	=	<u>(7,062,408)</u>	=	=	=	<u>(7,062,408)</u>	<u>(469,786)</u>	<u>(7,532,194)</u>
Total transactions with owners	<u>3,750,480</u>	<u>6,303,263</u>	<u>(1,007,689)</u>	<u>(7,844,866)</u>	=	=	<u>1,075,318</u>	<u>2,276,505</u>	<u>(165,606)</u>	<u>2,110,900</u>
Balance as at 31 December 2017	<u>80,492,460</u>	<u>6,303,263</u>	<u>(1,007,689)</u>	<u>14,841,082</u>	<u>3,644,141</u>	=	<u>9,858,224</u>	<u>114,131,480</u>	<u>10,695,522</u>	<u>124,827,003</u>

Condensed consolidated statement of changes in equity (continued)

All amounts are indicated in RON, unless otherwise stated

Audited	Share capital	Retained earnings	Revaluation reserve	Revaluation reserve of available-for-sale financial assets	Legal reserve	Total attributable to shareholders	Non-controlling interests	Total shareholders' equity
Balance as at 1 January 2016	<u>76,741,980</u>	<u>8,050,343</u>	<u>2,810,429</u>	<u>880,313</u>	<u>8,300,415</u>	<u>96,783,480</u>	<u>12,529,523</u>	<u>109,313,003</u>
Total comprehensive income for the year								
Profit or loss	-	7,588,276	-	-	-	7,588,276	173,130	7,761,406
Other items of comprehensive income								
Reserve of available-for-sale financial assets	-	-	-	(42,685)	-	(42,685)	-	(42,685)
Total items of comprehensive income	<u>-</u>	<u>-</u>	<u>-</u>	<u>(42,685)</u>	<u>-</u>	<u>(42,685)</u>	<u>-</u>	<u>(42,685)</u>
Total comprehensive income for the year	<u>-</u>	<u>7,588,276</u>	<u>-</u>	<u>(42,685)</u>	<u>-</u>	<u>7,545,591</u>	<u>173,130</u>	<u>7,718,721</u>
Transactions with owners of the Company, recognized directly in equity								
Contributions by and distributions to owners of the Company								
Legal reserve increase	-	(482,491)	-	-	482,491	-	-	-
Dividend paid to owners of BVB	<u>-</u>	<u>(6,666,552)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(6,666,552)</u>	<u>-</u>	<u>(6,666,552)</u>
Total contributions by and distributions to owners of the Company	<u>-</u>	<u>(7,149,043)</u>	<u>-</u>	<u>-</u>	<u>482,491</u>	<u>(6,666,552)</u>	<u>-</u>	<u>(6,666,552)</u>
Change in interests in subsidiaries that do not result in a loss of control								
Dividend paid to minority shareholders	-	-	-	-	-	-	(384,763)	(384,763)
Decrease of the share capital of CCB's minor shareholders	-	-	-	-	-	-	(3,132,855)	(3,132,855)
Covering the result carried forward – CCB loss	-	-	-	-	-	-	1,187,523	1,187,523
Total changes in interests in subsidiaries	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,330,095)</u>	<u>(2,330,095)</u>
Total transactions with owners	<u>-</u>	<u>(7,149,043)</u>	<u>-</u>	<u>-</u>	<u>482,491</u>	<u>(6,666,552)</u>	<u>(2,330,095)</u>	<u>(8,996,647)</u>
Balance as at 31 December 2016	<u>76,741,980</u>	<u>8,489,576</u>	<u>2,810,429</u>	<u>837,628</u>	<u>8,782,906</u>	<u>97,662,519</u>	<u>10,372,558</u>	<u>108,035,077</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 2017	31 Dec 2016
	Unaudited	Audited
Cash flows used in operating activities		
Profit for the year	14,684,942	7,761,406
Adjustments to remove non-cash items and reclassifications:		
Depreciation of fixed assets	1,760,097	1,741,951
Net interest income	(2,314,361)	(2,431,799)
Revenues from sale of available-for-sale financial assets	(1,300,363)	-
Loss from impairment of uncollected receivables	694,014	205,401
Litigation provision expense/(revenue)	-	(1,696,691)
Net expenses/(revenue) with receivables adjustment	(429,971)	(27,905)
Corporate income tax expense – reclassification	(94,661)	1,322,168
Other adjustments	(38,062)	(39,557)
Movements in equity – non-controlling interests	304,180	-
Gain from bargain purchases - non- cash	(2,880,425)	-
Movements from merger	<u>12,551,997</u>	-
	<u>22,937,387</u>	<u>6,834,974</u>
Change in trade and other receivables	(6,449,149)	4,409,964
Change in prepayments	(46,305)	(99,835)
Change in trade and other payables,	7,127,148	(5,816,769)
Change in deferred income	(31,569)	186,936
Changes in guarantee and clearing funds and the margin	417,257	621,533
Corporate income tax paid	<u>(1,471,316)</u>	<u>(1,378,516)</u>
Net cash from operating activities	<u>22,483,453</u>	<u>4,758,287</u>
Cash flows from investing activities		
Interest received	3,060,445	2,663,134
(Purchases)/Repurchases of held-to-maturity financial assets	(3,233,507)	2,724,648
Change in bank deposits balance	(1,110,769)	2,445,430
Acquisition of tangible and intangible assets	(4,113,502)	(2,039,839)
Dividends received	38,067	39,557
Proceeds from sale of available-for-sale financial assets	<u>2,190,389</u>	-
Net cash from investing activities	<u>(3,168,877)</u>	<u>5,832,930</u>
Cash flows from financing activities		
Dividends paid shareholders of the parent	(7,032,266)	(6,679,267)
Dividends paid to minority interests	(469,786)	(384,763)
Released share capital of CCB's to minor shareholders	(393,047)	(650,696)
Acquisition of treasury shares	<u>(1,007,689)</u>	-
Net cash used in financing activities	<u>(8,902,594)</u>	<u>(7,714,726)</u>
Net increase / (decrease) in cash and cash equivalents	10,411,982	2,876,491
Cash and cash equivalents 1 January	<u>6,028,375</u>	<u>3,151,884</u>
Cash and cash equivalents 31 December	<u>16,440,357</u>	<u>6,028,375</u>

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

Bucharest Stock Exchange

Preliminary report as of 31 December 2017

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 129 paragraph 1 of Law no. 297/2004 on the capital market, no shareholder of a market operator can hold, directly or indirectly, more than 20% of the total voting rights. At the end of December 2017, there were no shareholders holding stakes exceeding this threshold.

BVB is included in indices focused on listed 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;
- Bucharest Clearing House (Casa de Compensare București), 52.53% owned by BVB, used to perform market research and public opinion polling (market capital market research 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;
- SiBEX Depository (Depozitarul SIBEX), 73.14% owned by BVB, had performed clearing / settlement operations for transactions with securities carried out at SIBEX. This entity was acquired by BVB through the merger by absorption of SIBEX and at this moment its activity is suspended.

The preliminary consolidated financial statements of BVB for the financial year ended 31 December 2017 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 2017 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 standalone financial statements for the year ended 31 December 2016, 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 2016.

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.

Reflecting legal mergers through absorption in financial statements: The Group applies the provisions of IFRS 3 "*Business Combinations*" for the registration of merger through absorption in the individual financial statements of the acquiring entity. By applying this policy, the individual financial statements of the after-merger are a continuation of the consolidated financial statements prepared as of the acquisition date of the acquiree. The profit and loss account and the statement of other comprehensive income of the acquirer includes the income and expenses of the entity that is individually absorbed for the period between the date of acquisition of the control (or the end of the last financial year) and the effective date of the merger.

In the absence of specific requirements of the International Financial Reporting Standards for legal mergers through absorption, BVB opted to present the carrying amount of the identifiable assets acquired and the assumed liabilities in the individual financial statements at the time of the legal merger after their initial recognition (December 29, 2017), at fair value.

Business combinations: A business combination is accounted for by applying the acquisition method at the date when control is acquired unless it is a combination involving entities under common control, or the acquiree is a subsidiary of an investment entity. Each identifiable asset and liability is measured at its fair value at the acquisition date. Goodwill is measured by deducting the net identifiable assets acquired from the aggregation of the consideration transferred, any interest that does not control in the acquiree, and the fair value from the acquisition date of the acquiree's shareholdings in the acquiree's equity. If the acquirer has earned a gain due to a bargain purchase, this gain is recognized in profit or loss after the management has reconsidered if all the assets acquired have been identified and all contingent liabilities and contingents have been accepted and their value assumed. The consideration transferred in a business combination is measured at fair value and is calculated as the sum of the fair values from the acquisition date of the assets transferred by the acquirer, the liabilities borne by the acquirer over the former owners of the acquiree and equity interests issued by the acquirer, but excluding acquisition costs with brokerage, advisory, legal, appraisal and other fees or consultancy fees, general administrative costs, the costs of recording and issuing debt securities and shares, which are recognized in the income statement.

Income Tax: As a result of the business combination, temporary differences may occur so that any deferred tax assets or deferred tax liabilities must be recognized as identifiable assets and liabilities at the acquisition date.

Temporary differences arise when the tax bases of acquired identifiable assets and liabilities are not affected by the business combination. Under local tax law, the tax loss recorded by the company that ceases to exist as a result of a legal merger by absorption can be taken over and recovered by the entity that takes over the assets of the absorbed company. The annual tax loss realized starting 2010, as established by the profit tax statement, is recovered from the

Bucharest Stock Exchange

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taxable profits obtained over the next 7 consecutive years. In order to carry forward unused tax losses, the deferred tax asset is recognized only to the extent that it is probable that future taxable profit will be available after offsetting the tax loss for previous years and the tax on the profit to be recovered. The deferred tax asset is diminished to the extent that the related tax benefit is unlikely to occur.

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 2016.

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 standalone 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 2016.

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 2016.

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, and the Investors Compensation Fund (FCI) and the Bucharest Clearing House (CCB) is part of the services segment "FCI and other services" (for the period of 2016, the expenses and revenues of CCB were recorded in the "post-trading services" segment).

The Group's revenues, expenses and operating profit for the year 2017 are shown below, by segment:

2017	Trading services	Post-trading services	Registry services	FCI services and other services	Group
Revenues from clients outside the Group	23,345,067	9,700,191	3,991,152	1,016,153	38,052,563
Revenues from intra-group transactions*	353,112	71,921	29,817	0	454,850
Operating expenses	(16,025,902)	(8,387,143)	(3,477,182)	(926,564)	(28,816,791)
- out of which tangible and intangible asset depreciation expenses	(1,153,784)	(423,607)	(175,621)	(7,087)	(1,760,099)
Operating profit	<u>7,319,165</u>	<u>1,313,048</u>	<u>513,970</u>	<u>89,589</u>	<u>9,235,772</u>
Net financial income /(expenses)	2,382,774	67,545	28,003	23,797	2,502,119
Gain on bargain purchases	2,880,425	0	0	0	2,880,425
(Losses)/Gains from impairment of assets	(28,035)	0	0	0	(28,035)
Pre-tax profit	<u>12,554,329</u>	<u>1,380,592</u>	<u>541,973</u>	<u>113,386</u>	<u>14,590,281</u>
Corporate income tax	329,965	(166,341)	(68,963)	0	94,661
Net profit	<u>12,884,294</u>	<u>1,214,251</u>	<u>473,011</u>	<u>113,386</u>	<u>14,684,942</u>

* eliminated on consolidation

The Group's revenues, expenses and operating profit for the year 2016 are shown below, by segment:

2016	Trading services	Post-trading services	Registry services	FCI services	Group
Revenues from clients outside the Group	19,432,925	8,118,738	3,591,257	435,000	31,577,920
Revenues from intra-group transactions*	320,000	138,555	61,813	-	520,368
Operating expenses	(14,020,937)	(8,387,396)	(2,409,659)	(715,313)	(25,533,305)
- out of which tangible and intangible asset depreciation expenses	1,203,152	368,370	164,314	6,115	1,741,951
Operating profit	<u>5,411,988</u>	<u>(268,658)</u>	<u>1,181,598</u>	<u>(280,313)</u>	<u>6,044,615</u>

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Net financial income	<u>2,460,858</u>	<u>386,859</u>	<u>159,119</u>	<u>32,123</u>	<u>3,038,959</u>
Pre-tax profit	<u>7,872,846</u>	<u>118,200</u>	<u>1,340,717</u>	<u>(248,190)</u>	<u>9,083,574</u>
Corporate income tax	<u>(1,261,516)</u>	<u>(41,941)</u>	<u>(18,711)</u>	-	<u>(1,322,168)</u>
Net profit	<u>6,611,330</u>	<u>76,260</u>	<u>1,322,007</u>	<u>(248,190)</u>	<u>7,761,406</u>

* eliminated on consolidation

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

	Trading services	Post-trading services	Registry services	FCI services and other services	Group
31 dec 2017					
Assets	96,682,175	27,244,042	54,001,328	19,576,736	197,504,282
Liabilities	4,537,767	4,275,044	46,072,721	17,791,747	72,677,279
Capital expenditures	2,822,213	1,510,401	626,189	16,617	4,975,421

	Trading services	Post-trading services	Registry services	FCI services	Group
31 dec. 2016					
Assets	78,530,841	28,611,948	48,577,370	17,285,435	173,005,595
Liabilities	3,239,822	5,909,106	40,256,289	15,565,300	64,970,518
Capital expenditures	992,735	188,661	84,166	-	1,262,562

7. Operating expenses

The operating expenses include the following:

7.1 Personnel expenses and Director's fees

	2017	2016
Personnel expenses and Director's fees	13,711,457	12,928,758
Contributions and taxes related to personnel and fees	<u>2,642,500</u>	<u>2,723,899</u>
Total	<u>16,353,957</u>	<u>15,652,657</u>

7.2 Services provided by third parties

	2017	2016
Financial, IT and internal audit services	258,685	428,963
Commissions & fees (legal, contributions, etc.)	831,706	406,754
Services provided by third parties for events	378,882	455,075
Services provided by third parties for business purposes	<u>1,399,595</u>	<u>1,031,892</u>
Total	<u>2,868,868</u>	<u>2,322,684</u>

7.3 Other operating expenses

	2017	2016
Rent and office utilities	2,577,631	2,364,923
Tangible asset depreciation	830,611	761,352
Intangible asset depreciation	929,488	980,601
Costs related to FSA fees and other taxes	1,286,278	1,110,363
Consumables	243,838	188,971
IT maintenance and service	1,465,810	1,453,552
Protocol	358,330	258,744
Marketing and advertising	529,569	442,288
Transport of goods and personnel	509,668	603,190
Post and telecommunications	273,359	284,746
Loss from non-paying customers	694,014	205,401
Expenses/(Income) from provisions for disputes	-	(1,696,691)
Net expenses/(income) from adjustment of receivables	(429,971)	(27,905)
Other expenses	325,341	628,430
Total	9,593,966	7,557,964

8. Financial income and financial costs

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

	2017	2016
Net Interest income from held-to-maturity financial assets	2,314,361	2,426,230
Dividend income	38,067	39,557
Revenues from sale of available-for-sale financial assets	1,300,363	-
(Net loss)/Net gain from exchange rate differences	(1,147,602)	573,171
Other financial expenses	(3,070)	(5,567)
Net financial income	2,502,113	3,038,958

9. BVB- SIBEX merger

As a result of the merger by absorption between BVB and SIBEX, the share capital of the BVB increased by RON 3,750,480, respectively by 375,048 shares at the nominal value of RON 10 per share. As the absorption of SIBEX was done by exchange of shares (the exchange rate being 0.01200795 SIBEX shares for 1 BVB share), the calculation of the merger records resulted in a share premium amounting to RON 6,598,896, as a difference between the value of the shares issued by the BVB at face value, and the value of the BVB share at the effective date of the merger of RON 29.6 / share, representing the equivalent of the consideration paid by the BVB, and a gain due to a bargain purchase of RON 2.88 mn. This gain is recognized immediately in the profit or loss account.

10. 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 2017 is 16% (the tax rate for the year ended 31 December 2016 was 16%).

In the financial year 2017, the tax losses taken from SIBEX, as a result of the merger by absorption in accordance with the provisions of the Fiscal Code, were used in determining the corporate income tax. The fiscal loss taken through the

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merger of BVB-SIBEX was not fully utilized in the current year, the remaining fiscal loss to be recovered amounting to RON 2.06 mn led to the recording of a deferred tax asset of RON 0.33 mn.

11. Dividends

The General Shareholders' Meeting held on April 12, 2017 approved the proposed of distribution of the statutory net profit for the year 2016 of the Bucharest Stock Exchange in the amount of RON 7,500,525, as follows: the amount of RON 438,102 for the legal reserve and the remaining amount in the form of the gross dividends. Thus, the amount to be distributed in 2017 in the form of gross dividends for the year 2016 was RON 7,062,423. The value of the gross dividend for the year 2016 is RON 0.92028 / share, and the date of payment set by the GSM was 6 June 2017.

The General Shareholders Meeting of the Central Depository held on 24 May 2017 approved the proposal for the distribution of the company's statutory net profit for 2016, amounting to RON 1,600,574, as follows: RON 83,060 as legal reserve and RON 1,517,514 as dividends.

12. Share capital

On 31 December 2017, 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
Legal entities, of which:	<u>6,582,837</u>	<u>81.78%</u>
Romanian	5,532,706	68.74%
Foreign	1,050,131	13.05%
Individuals, of which:	<u>1,091,361</u>	<u>13.56%</u>
Romanian	999,390	12.42%
Foreign	91,971	1.14%
New shareholders coming from SIBEX	<u>375,048</u>	<u>4.66%</u>
Total	<u>8,049,246</u>	<u>100.00%</u>

In accordance with the provisions of the Government Emergency Ordinance no. 90/2014 amending and supplementing the Law no. 297/2004 regarding the capital market, a shareholder of a market operator cannot own directly or indirectly more than 20% of the total voting rights. On 31 December 2017, there were no shareholders holding stakes exceeding this threshold.

The share capital structure was slightly changed, in accordance to the legal provisions the shareholders who did not vote in favor of the BVB-SIBEX merger could withdraw from the shareholding of the company and, as result, in September 2017 the BVB purchased 28,276 of its own shares representing 0.35% of its total share capital. The acquisition price of the shares was RON 35.6376 / share, determined by an independent expert established by the National Trade Register Office.

As a result of the merger by absorption between BVB and SIBEX, the share capital of the BVB was increased by RON 3,750,480, shares 375,048 respectively. Since the absorption of SIBEX was made by exchange of shares (the exchange rate being 0.01200795 SIBEX shares for 1 BVB share), the shares issued by BVB were allocated to the shareholders of SIBEX and thus no cash payments were made in respect of the issued shares.

13. Subsequent events

On January 19, 2018, the Central Depository registered the new shareholders as a result of the merger of BVB-SIBEX in the BVB shareholders' register.

On January 23, 2018, The Financial Supervisory Authority approved the appointment of Mr. Adrian Tanase as CEO of the BVB. As of this day, ceases the mandate as Interim CEO of Mr. Marius-Alin Barbu, who returned to his position of Deputy CEO.

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](#)

Upcoming corporate events

16/17 Apr 2018*

General Meeting of the Shareholders

16/17 Apr 2018*

Release of the 2017 Annual Report

9 May 2018

Release of the Quarterly report for the 1st Quarter of 2018 & conference call

10 Aug 2018

Release of the Half-yearly report for the 1st Half of 2018 & conference call

14 Nov 2018

Release of the Quarterly report for the 3rd Quarter of 2018 & conference call

* actual dates shall be communicated after the Board of Governors decides when the GSM for the approval of 2016 annual financial results shall take place

Find out more about the Bucharest Stock Exchange



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