



# PRELIMINARY REPORT

as of 31 December 2018

 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 2018 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.

## Disclaimer

This English language report is a convenience translation of the Romanian language “*Raport preliminar întocmit la data de 31 decembrie 2018*”. The Romanian version of the report is the official document.

# Executive summary

**RON 12.23 bn,  
+2%**

**Total trading  
value, growth  
compared with  
2017**

(all markets, offers  
included)

Until mid-December 2018, the Bucharest Stock Exchange (BVB) was one of the best performing markets in the region, but closed 2018 with a 4.77% drop in the BET index, the main index of the local capital market, which includes the most traded 15 companies. The strong downward trend was triggered on December 19, 2018, when information on additional charges on the banking, energy and telecommunications sectors and on the modification of Pillar II appeared, followed by the BET benchmark decrease by 11.21 %, the entire growth recorded until then in 2018 by the local capital market being vanished in one single day. Between the values existing before that date, namely December 18, and the last trading session in 2018, namely December 31, the main stock market index recorded a decrease by 12%.

**RON 45.27 mn,  
+5%**

**Average daily  
trading value,  
growth compared  
with 2017**

(regulated shares  
market, offers  
excluded)

At the end of last year, only the two total return indices, which include also the dividends, managed to maintain in positive territory. The BET-TR index, which also includes dividends distributed by the BET member companies, recorded the largest advance by 4.3%.

The equity daily average trading value rose last year by 5% in the RON equivalent and exceeded RON 45 mn (around EUR 10 mn) during the year 2018, when the total traded value with all types of financial instruments increased by 2%, exceeding RON 14 bn (about EUR 3 bn).

The stock market capitalization of Romanian companies was EUR 18 bn at the end of last year, while the capitalization of all listed companies on BVB regulated market was EUR 30 bn in the last trading session of 2018.

In December, the private placement offer for approx. 33.77% of ALRO shares took place. As a result of closing the offer, the value of the company's free-float almost doubled.

Representatives of the capital market, companies and individuals launched in November the Romanian Investor Relations Association (ARIR) with the aim of implementing in Romania the best communication practices with investors among the listed companies.

**RON 39.82 mn,  
+5%**

**Operating  
revenues of BVB  
Group in 2018,  
growth compared  
with 2017**

(as per consolidated  
IFRS reporting)

During 2018, the BVB Group recorded **consolidated operating revenues** of over RON 39.82 mn (12 months 2017: RON 38.06 mn), an increase of 5% compared to the same period of the previous year, growth generated by the advance of the trading, post-trading and registry segments, as well as the decrease recorded by the FCI Services and other services segment.

The revenues generated by BVB, representing the Group's **trading segment**, amounted to RON 23.93 mn (excluding intra-group transactions) in 2018, up by 3% compared with 2017 (12 months 2017: RON 23.35 mn), amid the increase in traded values.

Central Depository (DC) activity in 2018 increased mainly due to the increase in revenues from the registry, as a result of the services rendered to issuers as well as to the holders of financial instruments, but also due to the growth of the portfolio managed by the custodians. In 2018 **DC's operating revenues** reached RON 15.37 mn (excluding intra-group transactions), which corresponds to an increase by 12% compared to 2017. **Post-trading segment revenues** increased by 4% compared with the previous year, up to the value of RON 10.11 mn (12 months 2017: RON 9.70 mn), amid the increase in the trading activity of BVB. Also, the revenues from the admission and maintenance of the participants to the clearing-settlement system of the custodians increased by 3%, from RON 6.47 mn to RON 6.67 mn, due to the increase of the value of portfolio managed.

**RON 8.87 mn,  
-4%**

**Operating profit of  
BVB Group in  
2018, decrease  
compared with  
2017**

(as per consolidated  
IFRS reporting)

**RON 9.85 mn,  
+6%**

**Operating profit of  
BVB Group in  
2018, without  
CCP project  
impact**

(as per consolidated  
IFRS reporting)

**RON 10.20 mn,  
-31%**

**Net profit of BVB  
Group in 2018,  
decrease  
compared with  
2017**

(as per consolidated  
IFRS reporting)

**RON 11.18 mn,  
+8%**

**Net profit of BVB  
Group in 2018,  
without SIBEX  
merger impact in  
2017 and CCP  
project impact in  
2018**

(as per consolidated  
IFRS reporting)

**Revenues from the registry** activity rose significantly in 2018, up by 32% compared with the same period of the previous year, due to the increase in services rendered to issuers as well as to holders of financial instruments.

During the same period, the **Group's consolidated operating expenses** increased by 7% from RON 28.82 mn to RON 30.95 mn, generating a combined decrease by 4% of the preliminary operating profit to RON 8.87 mn (12 months 2017: RON 9.24 mn), which corresponds to an operating margin of 22%. The increase in operating expenses was mostly determined by the increase of the expenses rendered by third parties by 45%, respectively RON 1.30 mn. Following the General Shareholders Meeting's decision of April 16, 2018, to initiate the set-up of the Central Counterparty (**CCP Project**), the BVB has contracted and incurred consultancy and assistance expenses for the establishment of a new subsidiary to be authorized as Central Counterparty, **one-off expenses, in amount of RON 0.98 mn.**

BVB intends to reinvoice these expenses to the new subsidiary during the year 2019, the establishment of which was approved by the BVB General Shareholders Meeting on January 29, 2019, based on the CCP's Business Plan submitted by the BVB management, and implicitly record an income equal to the expense of RON 0.98 mn.

Excluding the impact of this one-off expense, **the Group's consolidated operating expenses** increased by 4% from RON 28.82 mn to RON 29.97 mn, **the preliminary operating profit recording an increase by 7%, respectively up to RON 9.85 mn** (12 months 2017: RON 9.24 mn), which corresponds to an operating margin of 25%.

Expenditures with the services rendered by third parties have also increased due to the implementation of legal requirements (The Central Securities Depositories Regulation - CSDR, GDPR, etc.) and the outsourcing of some services.

Personnel expenses increased by 3%, amid the update of the BVB Group's remuneration policies, estimated expenditures with benefits granted in shares to Board members, management and employees, but also due to the fact that in 2017 the BVB capitalized RON 0.4 mn as "in-house" intangible assets, thus reducing the expenditure recorded in the previous year.

The category of Other Operating Expenses advanced 3% in 2018 compared to the previous year mainly due to the increase in depreciation expense of intangible and tangible fixed assets due to technology investments in recent years and adjustments for losses on non-current receivables.

**The net financial income** of RON 3.61 mn in 2018 were mainly represented by the interests generated from the government bonds and bank deposits, in RON and foreign currency, marking a significant advance against the same period of the last year (12 M 2017: RON 2.50 mn), being also influenced by the unrealized exchange rate differences related to the foreign currency financial investments, which generated a gain of RON 0.68 mn compared to the same period of 2017 when it was registered a loss of RON 1.15 mn.

**The preliminary consolidated net profit** for the year 2018 reached the level of RON 10.20 mn (12 M 2017: RON 14.69 mn), a decrease by 31% compared to the previous year, 81% generated by the Group's trading segment. **The preliminary profit attributable to the shareholders of the parent company** was RON 9.74 mn (12 M 2017: RON 14.20 mn).

Without considering the impact of BVB-SIBEX merger in 2017 and the effect of the CPP project in 2018, the consolidated net profit of the Group in 2018, of RON 11.18 mn, increased by 8% compared to the value of RON 10.34 mn in 2017 (adjusted to eliminate the merger impact).

# Financial and operating highlights

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

	2018 (prelim)	2017	Change (%)	4Q 2018 (prelim)	4Q 2017	Change (%)
Operating revenue	39.82	38.06	5%	10.85	8.85	22%
Operating expenses	(30.95)	(28.82)	7%	(9.47)	(7.94)	19%
Operating profit	<b>8.87</b>	<b>9.24</b>	<b>-4%</b>	<b>1.38</b>	<b>0.91</b>	<b>50%</b>
Net financial revenue/(expenses)	3.61	2.50	44%	0.84	2.06	-59%
Gain on bargain purchases – SIBEX merger	-	2.88	-	-	2.88	-
(Losses)/Gains from the impairment in associates and subsidiaries	(0.02)	(0.03)	-12%	(0.02)	(0.02)	47%
Profit before tax	<u>12.45</u>	<u>14.59</u>	-15%	<u>2.20</u>	<u>5.84</u>	-62%
Profit from continuing operations	10.40	14.69	-29%	1.83	7.31	-75%
Profit from discontinued operation	<u>(0.20)</u>	-	-	<u>0.22</u>	-	-
<b>Profit for the period</b>	<b>10.20</b>	<b>14.69</b>	<b>-31%</b>	<b>2.05</b>	<b>7.31</b>	<b>-72%</b>
Total comprehensive income	10.20	14.68	-31%	2.05	7.05	-71%
EPS attributable to owners (RON/share)	1.2097	1.8499	-35%	0.2315	0.9499	-76%

## Profitability ratios - BVB Group (%)

	2018 (prelim)	2017	4Q 2018 (prelim)	4Q 2017
Operating margin	22%	24%	13%	10%
Net margin	26%	39%	19%	83%
Return on equity	9%	12%	2%	6%

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

	2018 (prelim)	2017	Change (%)	2018 without CCP project (prelim)	2017 without merger impact	Change (%)	4Q 2018 (prelim)	4Q 2017	Change (%)
Operating revenue	24.25	23.69	2%	24.25	23.69	2%	6.84	5.14	33%
Operating expenses	(17.09)	(16.03)	7%	(16.11)	(15.69)	3%	(5.89)	(4.31)	37%
Operating profit	<b>7.16</b>	<b>7.66</b>	<b>-6%</b>	<b>8.14</b>	<b>7.99</b>	<b>2%</b>	<b>0.95</b>	<b>0.83</b>	<b>14%</b>
Net financial revenue/(expenses)	4.00	3.43	17%	4.00	3.43	17%	0.73	1.95	-63%
Gain on bargain purchases – SIBEX merger	-	2.88	-	-	-	-	-	2.88	-
(Losses)/Gains from the impairment in associates and subsidiaries	(0.02)	(0.06)	-55%	(0.02)	(0.03)	-33%	0.16	(0.04)	-460%
Profit before tax	<u>11.14</u>	<u>13.91</u>	-20%	<u>12.12</u>	<u>11.40</u>	6%	<u>1.84</u>	<u>5.62</u>	-67%
<b>Profit for the period</b>	<b>9.46</b>	<b>14.25</b>	<b>-34%</b>	<b>10.44</b>	<b>9.90</b>	<b>5%</b>	<b>1.57</b>	<b>7.12</b>	<b>-78%</b>

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

Trading value	2018	2017	Change (%)	4Q 2018	4Q 2017	Change (%)
Shares, units, rights*	11,682	12,073	-3%	3,879	2,681	45%
Certificates	336	264	27%	83	64	28%
Fixed-income*	<u>2,207</u>	<u>1,576</u>	40%	<u>719</u>	<u>289</u>	149%
<b>Total</b>	<b>14,225</b>	<b>13,913</b>	<b>2%</b>	<b>4,680</b>	<b>3,034</b>	<b>54%</b>
Avg. daily value (shares, excluding offers)*	45.27	42.95	5%	59.83	39.04	53%
Avg. daily value (shares, including offers)*	46.02	47.97	-4%	59.83	43.87	36%

\*Value for the Regulated market

## Operating indicators, post-trading and registry segments

	2018	2017	Change (%)	4Q 2018	4Q 2017	Change (%)
No. companies with registry contract at CD	<u>888</u>	<u>914</u>	-3%	<u>888</u>	<u>914</u>	-3%
No. procedures resulted from issuers' corporate events	<u>349</u>	<u>276</u>	26%	<u>306</u>	<u>230</u>	33%
<u>Local settlement</u>						
Value of trades settled on net basis (RON bn)	28.27	31.94	-11%	9.38	7.27	29%
Value of trades settled on gross basis (RON bn)	4.09	4.41	-7%	1.17	1.20	-3%
<u>Settlements through T2S platform (euro)</u>						
Value of trades settled on gross basis (EUR mn)	674.42	138.00	389%	157.12	20.51	666%

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

	2018	2017	Change (%)	4Q 2018	4Q 2017	Change (%)
Closing price (e-o-p)	21.00	27.60	-24%	21.00	27.60	-24%
Weighted average price	25.87	31.55	-18%	22.96	28.86	-20%
High (intraday)	30.70	35.50	-14%	25.00	31.20	-20%
Low (intraday)	20.40	26.20	-22%	20.40	26.20	-22%
Total trading value (RON mn)	32.54	25.64	27%	10.03	5.40	86%
Average trading value (RON mn)	0.13	0.10	26%	0.16	0.09	80%

# Analysis of the consolidated results for 2018 and the fourth quarter of 2018

## Macroeconomic background and financial markets overview in the fourth quarter of 2018.

In the fourth quarter, global equity markets have registered negative returns as growing signs of global economic slowdown amid rising interest rates and geopolitical tensions have been on the spotlight. As a result, the environment in the equity markets has become more volatile and pushed the MSCI World index down 13.7%. In the fourth quarter, the markets have focused more on the weaker growth of the Chinese economy, the sharp slowdown of the Eurozone and less on the benign inflation and unemployment rates that maintained their level close to record lows as more and more people were brought to the labor market. Romania's GDP dynamics in the 3<sup>rd</sup> quarter advanced at a 4.2% rate year-over-year, slightly above economists' expectations. This level shows a slight deceleration from the previous year as consumption has returned to a more neutral stance. Unemployment rate declined to 3.9% while the no. of employees remained at more than 4.9 mn. Inflation continued to decrease in the 4<sup>th</sup> quarter reaching 3.27% year-over-year, at the end of December.

The US Federal Reserve (FED), raised rates again in December, for the fourth time in 2018, motivating its decision on the strengthened economic outlook from the recent periods. At the December meeting, the European Central Bank (ECB) has decided to end the net purchases under the asset purchase program (APP) at the end of the year, while it will continue to reinvest the principal from maturing assets. However, the ECB re-emphasized that it expects the key interest rates to remain at their current level at least through the summer of 2019 and in any case for as long as necessary to ensure the sustained convergence of inflation to levels close to 2%. The National Bank of Romania kept key rate at 2.5% during the 4<sup>th</sup> quarter as inflationary pressures have diminished and GDP growth rate has become more moderate. Nonetheless, it is expected that inflation will be more benign in the following months and further interest rate increases might be limited.

The EUR/RON exchange rate recorded a slight increase in the 4<sup>th</sup> quarter of the current year, fluctuating, on average, near the value of 4.66. As for the USD/RON exchange rate, it continued its increase, on average, by 2.2% compared with the previous quarter, moving, on average, around the value of 4.08.

After a positive performance in the previous quarter, Romanian market, represented by BET index, sharply decreased by 12.2% during the 4<sup>th</sup> quarter as internal factors have had significant impact on the market due to the adoption by the Romanian Government of Emergency Ordinance no. 114 that significantly influences the taxation of the banking, energy and telecom sectors. On a YTD basis, the total return version of BET index showed a positive performance of 4.3%, as of the end of the year. This performance comes as the Romanian market offers one of the highest dividend yields in the world. International equity markets performance was broadly negative in the 4<sup>th</sup> quarter amid rising fears of economic slowdown across the world, continued tightening of the financial conditions and global trade tensions. Particularly, S&P500 decreased by almost 14% due to more hawkish comments of the FED governor, FTSE100 declined by 10.4% as uncertainty regarding Brexit developments continued to weigh on investors' sentiment. The German index, DAX, dropped by 13.8%, whereas MSCI Emerging Markets Index continued its downturn by 7.85% due to US dollar strength, slowing economic growth and increased global trade tensions.

## Review of the consolidated financial results for 2018 and the fourth quarter the year.

**The operating revenues** of the BVB Group recorded a level of RON 39.82 mn during 2018, up by 5% year-on-year, an increase of 5% compared to the same period of the previous year, growth generated by the advance of the trading, post-trading and registry segments, as well as the decrease recorded by the FCI Services and other services segment. Comparing the last quarter of 2018 with the same period of the previous year, the operating revenues increased by 22%, from RON 8.85 mn to RON 10.85 mn.

BVB's **trading activity** on the shares market registered a decrease of 3% in 2018, from RON 12.07 bn to the level of RON 11.68 bn. For the regulated market of shares including offers, the average daily turnover value declined by 4% in 2018 to RON 46.02 mn. Instead, the average daily turnover value on the regulated market of shares, excluding offers, increased by 5% over the same period to RON 45.27 mn.

The fixed-income instruments market (bonds and government securities) recorded a significant advance, by 40% compared to the previous year, to a value of RON 2.21 bn (12 months 2017: RON 1.58 bn).

The structured products market increased also by 27% compared to 2017, up to RON 336 mn (12 months 2017: RON 264 mn).

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)	2018	2017	Change (%)	4Q 2018	4Q 2017	Change (%)
Trading value – shares, rights, units	11,682	12,073	-3%	3,879	2,681	45%
Trading value – certificates	336	264	27%	83	64	28%
Trading value – fixed-income	<u>2,207</u>	<u>1,576</u>	40%	<u>719</u>	<u>289</u>	149%
<b>Total</b>	<b>14,225</b>	<b>13,913</b>	<b>2%</b>	<b>4,680</b>	<b>3,034</b>	<b>54%</b>

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

Regarding the **post-trade activity** carried out by the Central Depository, the related revenues increased by 4% from RON 9.70 mn to RON 10.11 mn, due to the additional generated by the admission and maintenance of participants in the clearing-settlement system and custodians and due to the increase of revenues directly proportional to the trading activity, ie the local settlement income.

The revenues from the registry activity carried out by the Central Depository in 2018, amounting to RON 5.26 mn (12 months 2017: RON 3.99 mn), increased by 32% compared to the similar period of the previous year, mainly due to the provision of non-regular services, amounting to RON 0.61 mn, for example the withdrawal of the shareholders from companies for which DC manages the shareholders' registry, but also as a result of the increase in revenues from invoiced services to customers, which are also found in the expenses of this segment of activity.

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	2018	2017	Change (%)	4Q 2018	4Q 2017	Change (%)
<b>Registry activity</b>						
No. companies with a registry contract at the Depository:	<u>888</u>	<u>914</u>	-3%	<u>888</u>	<u>914</u>	-3%
- listed companies	413	426	-3%	413	426	-3%
- closed companies	475	488	-3%	475	488	-3%
No. procedures resulted from issuers' corporate events, of which:	<u>349</u>	<u>276</u>	26%	<u>306</u>	<u>230</u>	33%
- share capital changes	64	56	14%	21	10	110%
- dividend payments	285	220	30%	285	220	30%
<b>Settlement activity</b>						
<b>a) Admission and maintenance</b>						
No. of intermediaries / participants to the clearing & settlement system	29	35	-17%	29	35	-17%
No. of custodians	8	10	-20%	8	10	-20%
Avg. monthly portfolio managed by custodians (RON bn)	41.02	38.80	6%	40.91	39.05	5%
No. of clearing participants paying maintenance fees	4	3	33%	4	3	33%
<b>b) Local settlement</b>						
Value of trades settled on net basis (RON bn)*	28.27	31.94	-11%	9.38	7.27	29%
Value of trades settled on gross basis (RON bn)**	4.09	4.41	-7%	1.17	1.20	-3%

### c) Settlements through T2S platform (euro)

Value of trades settled on gross basis (EUR mn)	674.42	138.00	389%	157.12	20.51	666%
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\* 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 Group's consolidated operating expenses** increased by 7% from RON 28.82 mn to RON 30.95 mn was mostly determined by the increase of the expenses rendered by third parties by 45%, respectively RON 1.30 mn. Following the General Shareholders Meeting's decision of April 16, 2018, to initiate the Central Counterparty (**CCP Project**), BVB has contracted and incurred consultancy and assistance expenses for the establishment of a new subsidiary to be authorized as Central Counterparty, **one-off expenses, in amount of RON 0.98 mn**.

BVB intends to reinvoice these expenses to the new subsidiary during the year 2019, the establishment of which was approved by the BVB General Shareholders Meeting on January 29, 2019, based on the CCP's Business Plan submitted by the BVB management, and implicitly record an income equal to the expense of RON 0.98 mn.

Excluding the impact of this one-off expense, **the Group's consolidated operating expenses** increased by 4% from RON 28.82 mn to RON 29.97 mn, **the preliminary operating profit recording an increase by 7%, respectively up to RON 9.85 mn** (12 months 2017: RON 9.24 mn), which corresponds to an operating margin of 25%.

**Personnel expenses** increased by 3%, amid the update of the BVB Group's remuneration policies, estimated expenditures with benefits granted in shares to Board members, management and employees, but also due to the fact that in 2017 the BVB capitalized RON 0.4 mn as "in-house" intangible assets, thus reducing the expenditure recorded in the previous year.

The category of **Other Operating Expenses** advanced 3% in 2018 compared to the previous year, mainly due to the increase in depreciation expense of intangible and tangible fixed assets after the technology investments in the last years and adjustments for losses on non-current receivables, but the impact was diminished by lower marketing and advertising expenses and IT and maintenance costs.

**The consolidated preliminary operating profit** of the BVB Group for the year 2018 is RON 8.87 mn, down by 4% compared to 2017 (12 M 2017: RON 9.24 mn), as a result of the 5% increase in operating revenues while the operating expenses advanced by 7%.

Excluding the impact of the extraordinary expense with the CCP Project, the **Group's consolidated operating expenses** for the year 2018 increased by 4% from RON 28.82 mn to RON 29.97 mn, **the preliminary operating profit 2018 having an increase of 7%, respectively up to RON 9.85 mn** (12 M 2017: RON 9.24 mn), which corresponds to an operational margin of 25%.

In the fourth quarter of 2018, the operating expenses amounted to RON 9.50 mn, increased by 19% and RON 1.53 mn, compared to the same quarter of the previous year, the main element of the increase being the one-off expenses of RON 0.98 mn with consultancy and assistance services recorded by the BVB for the establishment of a new subsidiary for authorization and functioning as a Central Counterparty. Without the effect of this event, the increase in operating expenses in the last quarter of 2018 is 7%.

The fourth quarter of 2018 generated a consolidated operating profit of RON 1.38 mn, up by 50% compared to the same quarter of 2017 (4Q 2017: RON 0.92 mn), in the conditions of an increase of operating revenues by 22%, while the operating expenses rose to a lesser extent by 19%.

**The net financial income** of RON 3.61 mn in 2018, were mainly represented by the interests generated from the government bonds and bank deposits, marking a significant advance against the same period of the last year (12 M 2017: RON 2.50 mn), being also influenced by the unrealized exchange rate differences related to the foreign currency financial investments, which generated a gain of RON 0.68 mn compared to the same period of 2017, when a loss was registered of RON 1.15 mn.

The net financial profit in the fourth quarter of 2018 amounted to RON 0.84 mn, down by 59% compared to the net financial profit realized in the same quarter of the previous year (4Q 2017: RON 2.06 mn). Without taking into account the revenues recorded in 4Q 2017 from the sale of available-for-sale financial assets (shares held on other stock exchanges) amounting to RON 1.30 mn, the net financial profit of 4Q 2018 is 12% higher, as a result of an increase in interest income by 34% and favorable exchange rate fluctuations from the revaluation of foreign currency financial instruments by 20%, while the expenditures with the expected credit losses, as a result of applying the new IFRS 9 Financial Instruments, reduced the financial net profit by RON 0.14 mn.

**The preliminary consolidated net profit** for the year 2018 reached the level of RON 10.20 mn (12 M 2017: RON 14.69 mn), a decrease by 31% compared to the previous year, 81% generated by the Group's trading segment. **The preliminary profit attributable to the shareholders of the parent company** was RON 9.74 mn (12 M 2017: RON 14.20 mn).

Without considering the impact of BVB-SIBEX merger in 2017 and the effect of the CPP project in 2018, the consolidated net profit of the Group in 2018 was in amount of RON 11.18 mn, 8% increase compared to the value of RON 10.34 mn in 2017 (adjusted to eliminate the merger impact).

The preliminary consolidated net profit for the fourth quarter of 2018 was RON 2.05 mn, down by 71% compared with the net result of the same period of the previous year (4Q 2017: RON 7.05 mn) a decrease significantly influenced by the events recorded in 4Q 2017, such as the BVB-SIBEX merger and the sale of shares held in foreign exchanges, as well as the registration in 4Q 2018 of the one-off expenses by the BVB, of RON 0.98 mn, with consultancy and assistance services for the establishment of a new subsidiary.

**Review of the consolidated financial position as of end-December 2018.** At the end of December 2018, the **total assets** of the BVB Group amounted to RON 214.62 mn (31 December 2017: RON 203.24 mn), up by 6% compared with the beginning of the year, mainly due to the increase in current assets represented by liquidities restricted for dividend payments by the Central Depository to the shareholders of the listed companies, clients of the Central Depository.

**Non-current assets** recorded an increase of 23% compared to the beginning of the year to RON 75.39 mn (31 December 2017: RON 61.08 mn), mainly due to the increase in the financial non-current assets by 28%, while the **current assets** decreased by 2% to RON 139.28 mn (31 December 2017: RON 142.16 mn). 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 2018, the amount of RON 66.69 mn (31 December 2017: RON 50.16 mn).

Within the current assets, the assets of the Bucharest Clearing House (CCB) are recorded as assets held for sale as a single position amounting to RON 0.67 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 2018 they amounted to RON 94.18 mn (31 December 2017: RON 78.24 mn), approximately 71% of this value, amounting to RON 66.69 mn, representing dividends to be paid by the Central Depository on behalf of its clients and 23% representing guarantee funds, compensation and margin for the settlement of transactions amounting to RON 21.36 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 will 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 1.07 mn).

The debts related to CCB are also presented as a single position, within the current debts, amounting to RON 0.46 mn.

**Shareholder's equity** reached RON 120.44 m as at 31 December 2018, 4% lower than at the beginning of the year, amid a net current result lower than the dividends granted in the year corresponding to the result of 2017.

Starting August 20, 2018, BVB initiated a share buyback program with a total amount of up to RON 1,000,000, value that was included and allocated in the Budget and Business Plan of 2018 to this program for 2018, under the terms and conditions approved by the Extraordinary General Meeting of Shareholders (EGMS) Decision no. 5 of 12 April 2017. During 2018, 40,071 shares were bought back, amounting to RON 997,995.



# **Condensed consolidated interim financial statements as of 31 December 2018**

**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 2018	31 Dec 2017
	Unaudited	Audited
Revenues from services	39,224,104	37,116,783
Other revenues	<u>600,783</u>	<u>938,792</u>
<b>Operating revenue</b>	<b>39,824,887</b>	<b>38,055,575</b>
Personnel expenses and Directors' fees	(16,859,547)	(16,353,957)
Expenses with services provided by third parties	(4,164,985)	(2,869,049)
Other operating expenses	<u>(9,928,671)</u>	<u>(9,595,186)</u>
<b>Operating profit</b>	<b><u>8,871,684</u></b>	<b><u>9,237,383</u></b>
Net financial revenues/(expenses)	3,606,928	2,501,002
Gain on bargain purchases	-	2,880,425
(Losses)/Gains from the impairment in associates	<u>(24,728)</u>	<u>(28,035)</u>
<b>Profit before tax</b>	<b>12,453,884</b>	<b>14,590,775</b>
Corporate income tax (expense)/revenue	<u>(2,055,309)</u>	<u>94,879</u>
Profit from continuing operations	10,398,575	14,685,654
Profit from discontinued operation	<u>(202,778)</u>	-
<b>Profit for the period</b>	<b><u>10,195,797</u></b>	<b><u>14,685,654</u></b>
<b>Profit attributable to:</b>		
Non-controlling interests	458,387	488,970
Owners of the Company	<u>9,737,410</u>	<u>14,196,684</u>
<b>Profit for the period</b>	<b><u>10,195,797</u></b>	<b><u>14,685,654</u></b>
Differences from valuation of financial assets available for sale and revaluation reserves of tangible assets	-	(3,916)
<b>Total comprehensive income for the period</b>	<b><u>10,195,797</u></b>	<b><u>14,681,738</u></b>
<b>Attributable to:</b>		
Non-controlling interests	458,387	488,970
Owners of the Company	<u>9,737,410</u>	<u>14,192,768</u>
<b>Total comprehensive income for the period</b>	<b><u>10,195,797</u></b>	<b><u>14,681,738</u></b>
<b>Earnings per share</b>		
Earnings per share – base/diluted (RON)	1.2097	1.8499

The notes on pages 20 to 28 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 2018	31 Dec 2017
	Unaudited	Audited
Revenues from services	10,621,330	8,752,769
Other revenues	<u>224,637</u>	<u>101,951</u>
<b>Operating revenue</b>	<b>10,845,967</b>	<b>8,854,720</b>
Personnel expenses and Directors' fees	(4,523,816)	(4,402,168)
Expenses with services provided by third parties	(1,874,833)	(706,650)
Other operating expenses	<u>(3,070,821)</u>	<u>(2,826,269)</u>
<b>Operating profit</b>	<b><u>1,376,497</u></b>	<b><u>919,633</u></b>
Net financial revenues/(expenses)	843,968	2,055,206
Gain on bargain purchases	-	2,880,425
(Losses)/Gains from the impairment in associates	<u>(24,728)</u>	<u>(16,870)</u>
<b>Profit before tax</b>	<b>2,195,737</b>	<b>5,838,394</b>
Corporate income tax (expense)/revenue	(371,110)	1,467,319
Profit from continuing operations	1,824,627	7,305,713
Profit from discontinued operation	<u>223,642</u>	<u>-</u>
<b>Profit for the period</b>	<b><u>2,048,269</u></b>	<b><u>7,305,713</u></b>
<b>Profit attributable to:</b>		
Non-controlling interests	184,270	33,667
Owners of the Company	<u>1,863,999</u>	<u>7,272,046</u>
<b>Profit for the period</b>	<b><u>2,048,269</u></b>	<b><u>7,305,713</u></b>
Differences from valuation of financial assets available for sale and revaluation reserves of tangible assets	<u>-</u>	<u>(252,896)</u>
<b>Total comprehensive income for the period</b>	<b><u>2,048,269</u></b>	<b><u>7,052,817</u></b>
<b>Attributable to:</b>		
Non-controlling interests	184,270	33,667
Owners of the Company	<u>1,863,999</u>	<u>7,019,150</u>
<b>Total comprehensive income for the period</b>	<b><u>2,048,269</u></b>	<b><u>7,052,817</u></b>
<b>Earnings per share</b>		
Earnings per share – base/diluted (RON)	0,2315	0,9499

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General Manager,  
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Financial Manager,  
Virgil Adrian Stroia

## Condensed consolidated statement of financial position

All amounts are indicated in RON, unless otherwise stated

	<b>31 Dec 2018</b>	<b>31 Dec 2017</b>
	Unaudited	Audited
<b>Non-current assets</b>		
Tangible assets	7,900,084	8,049,892
Intangible assets	3,357,115	3,302,310
Deferred tax assets	-	329,965
Restricted financial assets covering the guarantee and clearing funds and the margin at amortised cost	14,751,612	11,007,771
Financial assets at amortised cost	49,329,673	38,390,394
<b>Total non-current assets</b>	<b><u>75,338,484</u></b>	<b><u>61,080,332</u></b>
<b>Current assets</b>		
Trade and other receivables	5,068,667	4,530,320
Prepayments	500,877	388,283
Bank deposits at amortised cost	20,176,398	31,248,521
Restricted bank deposits covering the guarantee fund and the margin at amortised cost	1,379,352	2,460,449
Restricted financial assets covering the guarantee and clearing funds and the margin at amortised cost	5,324,146	7,361,427
Other financial assets at amortised cost	4,172,573	25,833,152
Cash and cash equivalents	35,292,318	18,624,936
Other restricted assets at amortised cost	66,692,122	50,164,542
Assets classified as held for sale	<u>670,326</u>	<u>1,545,052</u>
<b>Total current assets</b>	<b><u>139,276,779</u></b>	<b><u>142,156,682</u></b>
<b>Total assets</b>	<b><u>214,615,263</u></b>	<b><u>203,237,014</u></b>
<b>Equity</b>		
Share capital	80,492,460	80,492,460
Treasury shares and Share-base benefits	(683,716)	(834,705)
Share premiums	6,303,263	6,303,263
Legal reserve	10,459,216	9,858,111
Revaluation reserve	3,644,141	3,644,141
Retained earnings	<u>10,009,544</u>	<u>14,841,507</u>
<b>Total shareholders' equity attributable to the owners of the Company</b>	<b><u>110,224,908</u></b>	<b><u>114,304,777</u></b>
Non-controlling interests	10,213,679	10,695,922
<b>Total shareholders' equity</b>	<b><u>120,438,587</u></b>	<b><u>125,000,699</u></b>

## Condensed consolidated statement of financial position (continued)

All amounts are indicated in RON, unless otherwise stated

	31 Dec 2018	31 Dec 2017
	Unaudited	Audited
<b>Payables</b>		
Trade and other payables	71,175,390	56,208,894
Deferred income	892,490	899,389
Current corporate income tax payables	285,399	28,357
Guarantee and clearing funds and settlement operation margin	21,361,970	20,686,869
Liabilities directly associated with assets classified as held for sale	461,427	412,806
<b>Total current payables</b>	<b><u>94,176,676</u></b>	<b><u>78,236,315</u></b>
<b>Total payables and equity</b>	<b><u>214,615,263</u></b>	<b><u>203,237,014</u></b>

The notes on pages 20 to 28 are an integral part of these condensed consolidated financial statements.

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General Manager,  
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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 premiums	Treasury shares and		Retained earnings	Revaluation reserve	Legal reserve	Total		Total shareholders' equity
			and Share-base benefits					attributable to shareholders	Non-controlling interests	
Balance as at 1 January 2018	<u>80,492,460</u>	<u>6,303,263</u>	<u>(834,705)</u>		<u>14,841,507</u>	<u>3,644,141</u>	<u>9,858,111</u>	<u>114,304,777</u>	<u>10,695,922</u>	<u>125,000,699</u>
Impact of adopting IFRS9					<u>(344,240)</u>			<u>(344,240)</u>	<u>(56,177)</u>	<u>(400,417)</u>
<b>Balance as at 1 January 2018, restated</b>	<b><u>80,492,460</u></b>	<b><u>6,303,263</u></b>	<b><u>(834,705)</u></b>		<b><u>14,497,267</u></b>	<b><u>3,644,141</u></b>	<b><u>9,858,111</u></b>	<b><u>113,960,537</u></b>	<b><u>10,639,745</u></b>	<b><u>124,600,282</u></b>
<b>Comprehensive income for the year</b>										
Profit or loss	-	-	-		9,737,410	-	-	9,737,410	458,387	10,195,797
Legal reserve increase					(601,106)		601,106	-		
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>-</b>		<b>9,136,304</b>	<b>-</b>	<b>601,106</b>	<b>9,737,410</b>	<b>458,387</b>	<b>10,195,797</b>
<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, including estimations	-	-	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 owners of BVB	-	-	-	(13,550,791)	-	-	-	(13,550,791)	-	(13,550,791)
<b>Total contributions by and distributions to owners of the Company</b>	<b>-</b>	<b>-</b>	<b>150,989</b>	<b>(13,663,245)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(13,512,256)</b>	<b>-</b>	<b>(13,512,256)</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)	-
Adjustment of retained earnings - subsidiaries	-	-	-	(75,733)	-	-	-	(75,733)	(45,541)	(121,274)
<b>Total changes in interests in subsidiaries</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>39,219</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>39,219</b>	<b>(884,453)</b>	<b>(845,234)</b>
<b>Total transactions with owners</b>	<b>-</b>	<b>-</b>	<b>150,989</b>	<b>(13,624,026)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(13,473,037)</b>	<b>(884,453)</b>	<b>(14,357,490)</b>
<b>Balance as at 31 December 2018</b>	<b><u>80,492,460</u></b>	<b><u>6,303,263</u></b>	<b><u>(683,716)</u></b>		<b><u>10,009,544</u></b>	<b><u>3,644,141</u></b>	<b><u>10,459,216</u></b>	<b><u>110,224,908</u></b>	<b><u>10,213,679</u></b>	<b><u>120,438,587</u></b>

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

All amounts are indicated in RON, unless otherwise stated

Audited	Share capital	Treasury shares		Retained earnings	Revaluation reserve	Revaluation reserve of available-for-sale financial assets	Legal reserve	Total attributable to Non-controlling interests		Total shareholders' equity
		Share premiums	and base					Share-benefits	shareholders	
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>
<b>Comprehensive income for the year</b>										
Profit or loss	-	-	-	14,196,684	-	-	-	14,196,684	488,970	14,685,654
<b>Other items of comprehensive income</b>										
Reserve of available-for-sale financial assets	-	-	-	-	-	(837,628)	-	(837,628)	-	(837,628)
Reserve of land revaluation	-	-	-	-	833,712	-	-	833,712	-	833,712
Legal reserve increase	-	(295,633)	-	(779,572)	-	-	1,075,205	-	-	-
Total items of comprehensive income	-	<u>(295,633)</u>	-	<u>(779,572)</u>	<u>833,712</u>	<u>(837,628)</u>	<u>1,075,205</u>	<u>(3,916)</u>	-	<u>(3,916)</u>
<b>Total comprehensive income for the year</b>	-	<b>(295,633)</b>	-	<b>13,417,112</b>	<b>833,712</b>	<b>(837,628)</b>	<b>1,075,205</b>	<b>14,192,768</b>	<b>488,970</b>	<b>14,681,738</b>
<b>Contributions by and distributions to owners of the Company</b>										
Acquisition of treasury shares	-	-	(1,007,689)	-	-	-	-	(1,007,689)	-	(1,007,689)
Benefits granted to employees settled in shares	-	-	172,984	-	-	-	-	172,984	-	172,984
Dividend paid to owners of BVB	-	-	-	(7,062,408)	-	-	-	(7,062,408)	-	(7,062,408)
Share capital increase/(decrease)	<u>3,750,480</u>	<u>6,598,896</u>	-	<u>(8)</u>	-	-	-	<u>10,349,368</u>	-	<u>10,349,368</u>
<b>Total contributions by and distributions to owners of the Company</b>	<b>3,750,480</b>	<b>6,598,896</b>	<b>(834,705)</b>	<b>(7,062,416)</b>	-	-	-	<b>2,452,255</b>	-	<b>2,452,255</b>
Dividend paid to minority shareholders	-	-	-	-	-	-	-	-	(469,786)	(469,786)
Acquisition of non controlling interests	-	-	-	-	-	-	-	-	304,180	304,180
Adjustment of retained earnings - subsidiaries	-	-	-	(2,766)	-	-	-	(2,766)	-	(2,766)
<b>Total changes in interests in subsidiaries</b>	-	-	-	<b>(2,766)</b>	-	-	-	<b>(2,766)</b>	<b>(165,606)</b>	<b>(168,372)</b>
<b>Total transactions with owners</b>	<b>3,750,480</b>	<b>6,598,896</b>	<b>(834,705)</b>	<b>(7,065,182)</b>	-	-	-	<b>2,449,489</b>	<b>(165,606)</b>	<b>2,283,884</b>
<b>Balance as at 31 December 2017</b>	<b>80,492,460</b>	<b>6,303,263</b>	<b>(834,705)</b>	<b>14,841,507</b>	<b>3,644,141</b>	-	<b>9,858,111</b>	<b>114,304,777</b>	<b>10,695,922</b>	<b>125,000,699</b>

The notes on pages 20 to 28 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 2018	31 Dec 2017
	Unaudited	Audited
<b>Cash flows used in operating activities</b>		
Profit for the year	10,195,797	14,685,654
Adjustments to remove non-cash items and reclassifications:		
Amortisation of tangible and intangible non-current assets	2,278,238	1,760,097
Interest income	(3,072,508)	(2,308,995)
Income from interests related to assets covering the guarantee and clearing funds and the margin	-	(5,135)
Income from sale of available-for-sale financial assets	-	(1,300,363)
Loss from impairment of uncollected receivables	305,045	694,115
(Income) / Expenses with receivables adjustment	31,971	(429,971)
Corporate income tax expense	2,055,309	235,086
Loss from impairment in associates	24,728	28,035
Income from the production of intangible assets	(302,708)	(671,827)
Net provision for holiday not-taken	(196,000)	(199,895)
Deferred income from deferred tax	-	(329,965)
Other adjustments	(730,593)	(40,828)
Gain from bargain purchases - non- cash	-	(2,880,425)
Expense with employees' benefits settled in shares	1,036,530	172,984
<b>Net cash from operating activities</b>	<b>11,625,809</b>	<b>9,408,567</b>
<b>Changes in working capital:</b>		
Change in trade and other receivables	(17,266,000)	(12,480,736)
Change in prepayments	(112,594)	(46,305)
Change in trade and other payables	14,054,514	13,618,621
Change in deferred income	(6,899)	(31,569)
Change in the guarantee and clearing funds and the margin	675,101	417,255
Corporate income tax paid	(297,455)	(1,801,282)
<b>Net cash from operating activities</b>	<b>8,672,476</b>	<b>9,084,551</b>
<b>Cash flows from investing activities</b>		
Interest received	3,206,005	2,388,407
Interest received from assets covering the guarantee and clearing funds and margin	35,517	120,003
Payments for acquisitions of financial assets	(17,767,130)	(12,357,425)
Proceeds from sales/maturation of financial assets	26,057,557	9,123,918
Change of deposits balance	12,571,575	1,715,960
Acquisition of tangible and intangible assets	(1,880,525)	(3,441,675)
Dividends received	-	38,067
Proceeds from the sale of available-for-sale financial assets	-	2,492,319
Cash taken from SIBEX merger	-	12,335,030
Change in held for sale assets	803,338	-
<b>Net cash from investing activities</b>	<b>23,026,337</b>	<b>12,414,604</b>

**Bucharest Stock Exchange**

Preliminary report as of 31 December 2018

## Condensed consolidated statement of cash flows (continued)

All amounts are indicated in RON, unless otherwise stated

<b>Cash flows from financing activities</b>		
Dividends paid shareholders of the parent	(13,173,276)	(7,032,266)
Dividends paid to minority interests	(419,721)	(469,592)
Released share capital of CCB's to minor shareholders	(440,439)	(393,047)
Acquisition of treasury shares	(997,995)	(1,007,689)
<b>Net cash used in financing activities</b>	<b>(15,031,431)</b>	<b>(8,902,594)</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>	<b>16,667,382</b>	<b>12,596,561</b>
Cash and cash equivalents 1 January	18,624,936	6,028,375
Cash and cash equivalents 31 December	<u>35,292,318</u>	<u>18,624,936</u>
Net increase / (decrease) in cash and cash equivalents	<b>16,667,382</b>	<b>12,596,561</b>

The notes on pages 20 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

1777754  
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 March 2018, 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;
- 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). The General Shareholders Meeting of the Bucharest Clearing House dated May 24, 2018 decided to voluntarily liquidate the company and therefore the financial information for this subsidiary is disclosed separately, as discontinued operations, in accordance with IFRS 5;
- 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 on 20.12.2018 the share capital was restituted to the shareholders after all the payment obligations had been settled. On January 28, 2019, the company was liquidated.

The consolidated financial statements of BVB for the financial year ended 31 December 2018 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 2018 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 2017, 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 2017 except for the adoption of new standards in force at 1 January 2018. The Group did not adopt other standards, interpretations or amendments that were issued but not yet in force. The Group adopted IFRS 9 Financial Instruments and IFRS 15 Revenue from contracts with customers for the first time since 1 January 2018. The adoption of IFRS 15 did not have any impact on the financial statements.

IFRS 9 Financial Instruments makes significant changes to the recognition and measurement of financial assets based on a business model and contractual cash flows and implements a new model for the recognition of impairment adjustments based on expected credit losses on receivables. Additionally, the Standard discloses changes in accounting for hedging instruments to better reflect the effect of risk management activities that a company adopts to manage exposures. Except for hedge accounting, IFRS 9 will be applied retrospectively. As permitted by IFRS 9, the Group did not change the figures for the prior period. The retrospective impact of applying IFRS 9 was recorded by adjusting the original balances for equity positions at 1 January 2018.

IFRS 9 presents three main categories of financial assets: measured at amortized cost, measured at fair value through other comprehensive income, and measured at fair value through profit or loss. Following the analysis of the financial asset categories held by the Group at 1 January 2018, no significant differences were found between the initial valuation categories under IAS 39 and the new valuation categories under IFRS 9.

The Group's financial investment business model is to held-to-collect of the contractual cash-flows and the types of financial assets held (government securities and bank deposits) give rise, at certain dates, to cash flows that are solely payments of principal and interests on the balance due. Thus, all Group financial investments are measured at amortised cost.

In general, the application of the expected credit losses model on receivables will require early recognition of loss on receivables and will lead to an increase in impairment adjustments for the relevant items. Impairment losses are calculated on the basis of a three-step model using the credit risk swap, the internal or external ratings of counterparties and the probability of non-payment. For some financial instruments, such as trade receivables, impairment losses are estimated based on a simplified approach, recognizing expected credit losses from receivables over their lifetime.

There is no impact on the recognition and measurement of the Group's financial liabilities due to the fact that the new requirements only concern the accounting for financial liabilities designated at fair value through profit or loss. The Group does not have such liabilities.

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 consolidated financial statements for the year ended 31 December 2017.

## 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 2017.

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 2017.

### 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 Bucharest Clearing House (CCB) are part of the services segment "FCI and other services".

The Group's revenues, expenses and operating profit for the year 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	(17,080,680)	(8,550,010)	(4,511,644)	(810,869)	(30,953,203)
- out of which tangible and intangible asset impairment expenses	(1,237,465)	(677,594)	(357,551)	(5,627)	(2,278,237)
<b>Operating profit</b>	<b><u>6,851,087</u></b>	<b><u>1,562,652</u></b>	<b><u>745,375</u></b>	<b><u>(287,430)</u></b>	<b><u>8,871,684</u></b>
Net financial income /(expenses)	3,072,704	348,854	184,082	1,288	3,606,928
(Losses)/Gains from impairment of assets	(24,728)	0	0	0	(24,728)
<b>Pre-tax profit</b>	<b><u>9,899,063</u></b>	<b><u>1,911,506</u></b>	<b><u>929,457</u></b>	<b><u>(286,142)</u></b>	<b><u>12,453,884</u></b>
Corporate income tax	(1,687,165)	(240,983)	(127,161)	-	(2,055,309)
Profit from continuing operations	8,211,898	1,670,523	802,296	(286,142)	10,398,575
Profit from discontinued operation	-	-	-	(202,778)	(202,778)
<b>Net profit</b>	<b><u>8,211,898</u></b>	<b><u>1,670,523</u></b>	<b><u>802,296</u></b>	<b><u>(488,920)</u></b>	<b><u>10,195,797</u></b>

\* eliminated on consolidation

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	1,019,165	38,055,575
Revenues from intra-group transactions*	353,112	71,921	29,817	-	454,850
Operating expenses	(16,025,902)	(8,387,935)	(3,477,510)	(926,845)	(28,818,192)
- out of which tangible and intangible asset depreciation expenses	(1,153,784)	(423,607)	(175,621)	(7,086)	(1,760,098)
<b>Operating profit</b>	<b><u>7,319,165</u></b>	<b><u>1,312,256</u></b>	<b><u>513,642</u></b>	<b><u>92,320</u></b>	<b><u>9,237,383</u></b>
Net financial income /(expenses)	2,382,774	68,260	26,171	23,797	2,501,002
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)
<b>Pre-tax profit</b>	<b><u>12,554,329</u></b>	<b><u>1,380,516</u></b>	<b><u>539,813</u></b>	<b><u>116,117</u></b>	<b><u>14,590,775</u></b>
Corporate income tax	<u>329,965</u>	<u>(166,187)</u>	<u>(68,899)</u>	-	<u>94,879</u>
<b>Net profit</b>	<b><u>12,884,294</u></b>	<b><u>1,214,329</u></b>	<b><u>470,914</u></b>	<b><u>116,117</u></b>	<b><u>14,685,654</u></b>

\* eliminated on consolidation

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

31 dec 2018	Trading services	Post-trading services	Registry services	FCI services and other services	Group
Assets	91,454,165	25,020,867	78,313,025	19,827,206	214,615,263
Liabilities	3,720,848	3,253,138	68,408,042	18,794,648	94,176,676
Capital expenditures	921,976	412,659	217,751	5,205	1,557,591

31 dec. 2017	Trading services	Post-trading services	Registry services	FCI services	Group
Assets	96,615,359	27,202,280	59,842,740	19,576,635	203,237,014
Liabilities	4,297,967	4,234,708	51,914,725	17,788,915	78,236,315
Capital expenditures	2,822,213	1,510,401	626,189	16,617	4,975,421

## 7. Operating expenses

The operating expenses include the following:

### 7.1 Personnel expenses and Director's fees

	2018	2017
Personnel expenses and Director's fees, including contributions and taxes	15,725,487	16,008,345
Estimated expenses for personnel and Director's (SOP & bonuses)	<u>1,134,060</u>	<u>345,612</u>
<b>Total</b>	<b><u>16,859,547</u></b>	<b><u>16,353,957</u></b>

## 7.2 Services provided by third parties

	2018	2017
Business consultancy services	1,166,209	338,000
Financial, IT and internal audit services	274,391	258,866
Commissions & fees (legal, contributions, etc.)	601,936	831,706
Services provided by third parties for events	459,571	378,882
Services provided by third parties for business purposes	<u>1,662,878</u>	<u>1,061,595</u>
<b>Total</b>	<b><u>4,164,985</u></b>	<b><u>2,869,049</u></b>

Within the category of expenditures "Business consultancy services", are included the expenditures related to the CCP Project in 2018 and the expenditures related to the BVB-SIBEX merger in 2017.

## 7.3 Other operating expenses

	2018	2017
Rent and office utilities	2,576,171	2,577,631
Tangible asset depreciation	1,062,963	830,610
Intangible asset depreciation	1,215,274	929,488
Costs related to FSA fees and other taxes	1,304,472	1,286,278
Consumables	282,427	243,838
IT maintenance and service	1,291,113	1,465,810
Insurance for professional equipment, etc.	219,276	194,917
Protocol	406,774	358,330
Marketing and advertising	162,292	529,569
Transport of goods and personnel	682,457	509,668
Post and telecommunications	358,127	273,359
Bank charges	78,561	87,274
Loss from non-paying customers	168,102	694,115
Expenses/(Income) from provisions for disputes	(118,287)	-
Net expenses/(income) from adjustment of receivables	31,971	(429,971)
Other expenses	<u>206,978</u>	<u>44,270</u>
<b>Total</b>	<b><u>9,928,671</u></b>	<b><u>9,595,186</u></b>

## 8. Financial income and financial costs

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

	2018	2017
Net Interest income from held-to-maturity financial assets	3,072,507	2,314,130
Dividend income	-	38,067
Revenues from sale of available-for-sale financial assets	-	1,300,363
(Net loss)/Net gain from exchange rate differences	675,453	(1,147,725)
Other financial expenses	(4,090)	(3,833)
Other financial expenses	<u>(136,942)</u>	-
<b>Net financial income</b>	<b><u>3,606,928</u></b>	<b><u>2,501,002</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 2018 is 16% (the tax rate for the year ended 31 December 2017 was also 16%).

## 10. Dividends

The General Shareholders Meeting held on April 16, 2018 approved the distribution of the statutory net profit for the year 2017 of the Bucharest Stock Exchange in the amount of RON 14,246,624, as follows: the amount of RON 695,833 for the legal reserve and the remaining amount in the form of the gross dividends. Thus, the amount to be distributed in 2018 in the form of gross dividends for the year 2017 is RON 13,550,791. The date of payment set by the GSM was 11 June 2018.

The General Shareholders Meeting of the Central Depository held on 16 May 2018 approved the distribution of the company's statutory net profit for 2017, amounting to RON 1,439,710, as follows: RON 83,739 as legal reserve and RON 1,355,971 as dividends.

## 11. Share capital

On 31 December 2018, 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>6,424,904</u>	<u>79.82%</u>
Romanian	5,606,898	69.66%
Foreign	818,006	10.16%
<b>Individuals, of which:</b>	<u>1,571,026</u>	<u>19.52%</u>
Romanian	1,411,872	17.54%
Foreign	159,154	1.98%
<b>New shareholders coming from SIBEX</b>	53,316	0.66%
<b>Total</b>	<b><u>8,049,246</u></b>	<b><u>100.00%</u></b>

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. On 30 September 2018, there were no shareholders holding stakes exceeding this threshold.

Starting August 20, 2018, BVB initiated a share buyback program with a total amount of up to RON 1,000,000, value that was included and allocated in the Budget and Business Plan of 2018 to this program for 2018, under the terms and conditions approved by the Extraordinary General Meeting of Shareholders (EGMS) Decision no. 5 of 12 April 2017. During 2018, 40,071 shares were bought back, amounting to RON 997,995.

## 12. Subsequent events

On January 29, 2019, the Extraordinary General Shareholders Meeting of the of BVB took place, in which it was approved the establishment of a joint-stock company in accordance with the provisions of Law No. 31/1990, for authorization and functioning as a central counterparty (hereinafter referred to as "CCP"), according to the provisions of the Financial Supervisory Authority (FSA) Regulation no. 3/2013 on the authorization and functioning of central counterparties and Regulation (EU) No. No 648/2012 of the European Parliament and of the Council of 4 July 2012 on OTC derivatives, central counterparties and trade repositories. BVB's share of the new entity's share capital will be up to EUR 10 mn out of a total of EUR 16 mn.

On January 28, 2019, the National Trade Registry Office attached to the Sibiu Court issued the Liquidation Certificate for the SIBEX Depository based on Resolution no. 1204/25.01.2019.

There are no other events to report.

# Contact us

## Investor Relations contact information

Tel: (+4)021 307 95 00  
Fax: (+4)021 307 95 19  
Email: [ir@bvb.ro](mailto:ir@bvb.ro)

## 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

24/25 Apr 2019\*

General Meeting of the Shareholders

24/25 Apr 2019\*

Release of the 2018 Annual Report

14 May 2019

Release of the Quarterly report for the 1<sup>st</sup> Quarter of 2019 & conference call

09 Aug 2019

Release of the Half-yearly report for the 1<sup>st</sup> Half of 2019 & conference call

11 Nov 2019

Release of the Quarterly report for the 3<sup>rd</sup> Quarter of 2019 & conference call

\* actual dates shall be communicated after the Board of Governors decides when the GSM for the approval of 2018 annual financial results shall take place

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