BURSA
DE VALORI
BUCUREŞTI

Bucharest, April 2015

BVB Directors' REPORT for 2014

www.bvb.ro

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DISCLAIMER

This English language report is a convenience translation of the Romanian language "BVB Directors' Report for 2014". The Romanian version of the report is the official document.

FINANCIAL HIGHLIGHTS

Indicators		2014	2013	Change
Individual profit and loss account				
Operating revenues, of which:	RON mn	27.9	24.4	14.2%
Net sales	RON mn	26.9	24.3	10.6%
Operating profit	RON mn	11.1	8.1	36.9%
Financial profit	RON mn	3.0	2.9	4.2%
Net profit	RON mn	11.9	9.5	25.4%
Earnings per share	RON	1.55	1.24	25.4%
Individual balance sheet (as of December 31)				
Shareholders' equity	RON mn	100.7	97.8	2.9%
Total assets	RON mn	106.5	104.4	2.0%
Ratios				
Operating margin	%	41.4%	33.5%	-
Net profit margin	%	44.3%	39.1%	-
Return on equity	%	11.8%	9.7%	-
Market statistics (including Deal trades and public offers)				
Turnover for shares and units	RON mn	13,234	11,602	14.1%
Turnover for bonds and government securities	RON mn	956	1,396	-31.5%
Turnover for shares, units, bonds and government securities	RON mn	14,189	12,998	9.2%
Average daily turnover for shares, units, bonds and government securities	RON mn	56.8	51.8	9.6%
BVB share statistics				
Opening price (closing price of the previous day)	RON	32.50	20.00	62.5%
High (intraday price)	RON	34.44	32.50	6.0%
Low (intraday price)	RON	24.70	17.00	45.3%
Closing price (end of period)	RON	33.97	32.50	4.5%
Trading value, incl. Deal trades	RON mn	64.30	66.53	-3.3%
Average daily turnover, incl. Deal trades	RON mn	0.26	0.27	-3.7%

BVB ENDS A SUCCESSFUL 2014 WITH SURGING OPERATING PROFIT, CONFIRMING EFFORTS TO DRIVE THE CAPITAL MARKET FORWARD

- The Bucharest Stock Exchange (BVB) remained committed to its medium-term goal of reaching the Emerging Markets status as a confirmation of the steps and measures supporting market reform and of the significant progress in removing the obstacles impeding the creation of modern capital markets in Romania.
- The year was marked by a continuous stream of changes that brought the local market closer to well-recognized international standards, culminating during the last part of the year with more steps to reduce market costs, to modernize the capital market infrastructure, to enhance liquidity created by market makers and to address visibility and corporate governance issues. The *Eight Barriers* project reached a new historical milestone as amendments to existing legislation were passed by the Government, offering solutions to issues referring to account opening, investors' corporate rights, dividend payment procedures and primary market offerings.
- Efforts to streamline investors' access to the capital market, to improve visibility, transparency and ultimately liquidity, materialized in growing interest in the local market, which brought more investors and pushed turnover higher.
- BVB ended 2014 with a net profit of RON 11.9 mn or RON 1.55/share, up by 25% y-o-y and 20% above the figure projected for the full year. The net margin also improved compared to 2013, at 44.3%.
- The Board will submit for approval at the annual shareholders meeting of April 27/28 the proposed distribution of the full net profit after legal reserves, implying a gross dividend of RON 1.4579 per share. During 2014, BVB returned almost RON 9 mn to its shareholders in the form of dividends from the previous years' net profits, which added to the 5% price appreciation since the beginning of the year. The closing price as at end-December was RON 33.97.
- Sales revenues[1] for 2014 reached RON 26.9 mn, up by 11% on the previous year, triggered mainly by intensified trading but also by higher revenues from issuer fees, IT services and participant fees. As costs increased at a much lower rate, the operating profit reached RON 11.1 mn, a significant 37% above the 2013 figure and 24% above the budgeted figure.
- The value of trades on all markets, including public offers, reached RON 14.4 bn, up 6.6% y-o-y, while for the regulated equities market the growth rate stood at 15.2%. The average daily turnover for the regulated market excluding public offers was well ahead the 2013 figure, at RON 38.9 mn, up 22% y-o-y.
- The main market index BET ended the year with a 9.1% advance, while its total return version BET-TR was by far the best performing in the region with a 14.5% return, given the attractive dividends offered by companies which constitute the index.

1 BVB's sales revenues consist mainly from fees charged for trades with all listed instruments, fees for listing of companies and instruments, and revenues from data vending services provided to various users.

COMPANY INFORMATION

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

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

The Bucharest Stock Exchange operates several markets:

- a spot regulated market where financial instruments such as shares and rights (issued by international and Romanian entities), debt instruments (corporate, municipality and government bonds issued by Romanian entities and international corporate bonds), UCITs (shares and fund units), structured products, tradable UCITS (ETFs) are traded;
- an alternative trading system (ATS), where foreign stocks listed on other markets and securities issued by Romanian companies not qualified for the regulated market are traded;
- RASDAQ market where shares and rights issued by Romanian entities are traded, most of them coming from the mass privatization program. According to the Law no. 151/2014, which entered into force in October 2014 and was followed at the beginning of December 2014 by FSA's Regulation no. 17/2014, companies currently listed on Rasdaq market must choose between a transfer to a regulated market, migration to an alternative trading system or delisting from the exchange. Rasdaq market would cease operating in 12 months from the law's enforcement, i.e. in October 2015.

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

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

MAIN EVENTS DURING THE LAST QUARTER OF 2014

1st Quarter

3 January – BVB's new **market making program** came into force. The program was aimed at developing the market making activity and to enhance the liquidity and market quality. The program started with four brokerage companies acting as market makers (Wood & Company, Banca Comerciala Romana, Raiffeisen Centrobank AG and SSIF Broker), while IFB Finwest joined the program later in January.

On the same date, the **trading program** for shares, fund units and rights listed on the Regulated Market was extended until 18:00.

16 January – The 5-year **corporate bonds issued by Transelectrica SA**, worth of RON 200 mn, started trading at BVB.

30 January – The **List of Fees for structured products** was updated, by lowering the admission and maintenance fees charged to issuers of such financial instruments. Thus BVB aims at stimulating the development of this market segment and enhance liquidity, by incentivizing issuers to bring more structured products to the market.

5-6 February – BVB, Raiffeisen Bank and Fondul Proprietatea organized the first **Romania Investor Days** event in New York City, USA. The event was part of a long series of events, roadshows, international meetings with a view to increasing awareness on the capital market achievements and developments. It was designed to offer qualified US-based investors a deeper understanding of investment opportunities in Romania, the Romanian capital market and its flagship companies. It attracted more than 80 participants from 45 investment funds collectively representing more than USD 900 bn in assets under management. The event included 108 one-on-one meetings between investors and the top management of Romanian companies that are listed on BVB or are part of the Fund's portfolio.

12 February – BVB, under the patronage of the National Bank of Romania and in partnership with the Financial Supervision Authority organized the conference "**Creating an International Capital Markets in Romania. Eight Important Systemic Barriers, Key for Creating a Modern Capital Market**." The event was aimed at presenting the steps of a substantial reform of regulations and practices which at present define the development pace of the capital market. Discussions focused on the report identifying the major obstacles which keep the Romanian capital market from becoming a modern structure for capital flows in the economy.

14 February – **Ipopema Securities SA**, one of the top brokerage companies in Poland, was included in the FSA Registry, in the section dedicated to financial services intermediaries.

11 March – BVB launched its **mobile application**, a tool for investors interested in accessing up-to-date information, prices and news from BVB's markets.

18 March – BVB's Board of Governors approved a series of **amendments to *BVB's Rulebook – Market Operator***, aimed at improving the efficiency of the admission to trading of financial instruments on the BVB spot regulated market, by eliminating formalistic and bureaucratic listing provisions. The changes became effective later in May, after their approval by the Financial Supervisory Authority.

The Board also approved a series of changes to existing **BVB indices**, as well as the launch of two new indices (BET Plus, a broad market index, and BET-TR, the first total return index) implemented later in the year.

20 March – **Natura Quattuor Energia Holdings SA Bucuresti** started trading on BVB's Regulated Market. The company was previously traded on RASDAQ market.

24 March – The **official website for the capital market reform**, focused on eliminating the Eight Systemic Barriers standing against the development of the capital market in Romania, was launched. www.RoCapMarketModern.ro includes updates on the regulatory steps taken to eliminate the Eight Barriers of the capital market.

25 March – BVB and Wood & Company organized the **Romania Investor Day** event in Warsaw. The event was aimed at presenting investment opportunities of the Romanian capital market to foreign institutional investors, mainly to Polish investment and pension funds. Fondul Proprietatea, OMV Petrom, Romgaz, Transelectrica and Nuclearelectrica, to name just a few of the local blue-chips, offered insightful presentations during one-on-one meetings.

During the **1st quarter** of the year, 7 new series of turbo certificates issued by Erste Bank and 3 new series of turbo certificates issued by SSIF Broker started trading at BVB. These instruments have indices, stocks and commodities as underlying assets.

2nd Quarter

1 April – IFB Finwest SA Arad started acting as market maker for the shares issued by BVB, thus becoming the **first market maker for BVB shares** since the listing of the company on its own trading platform.

2 April – The shares of **Premia Finanziaria**, a company registered in Catania, Italy, started trading on the alternative trading system managed by BVB.

14 April-13 June – The first edition of the virtual trading competition **BVB Invest Quest (BVB IQ)** took place, one of BVB's flagship educational projects. The competition was organized together with four brokerage companies as partners (Estinvest, Intercapital, SSIF Broker and Tradeville) and under the honorary patronage of the Financial Supervisory Authority. BVB IQ included a countrywide campaign of 20 seminars, aimed at familiarizing participants with the functioning of the capital market and its mechanisms. Almost 1,000 people participated at the competition, most of them being at the first experience with the capital market.

15 April – A new issue of **benchmark government securities** issued by the Ministry of Public Finance (RON 440.3 mn nominal value, 5-year maturity, 4.75% interest rate) started trading on BVB.

28 April – New block sizes were introduced for shares traded at BVB's Regulated and Rasdaq market segments (regular trading and Deals market), a measure designed to reduce the variety of block sizes applied to traded shares and the actual block sizes for some shares in order to make them more accessible to investors.

29 April – A series of proposed **amendments to *BVB's Rulebook – Market Operator*** were made public, aimed at improving the liquidity of financial instruments. These amendments referred to:

- establishing new type of market activity based on a partnership with the issuer (the Issuer's Market Maker),
- applying various trading models (continuous trading or auction) for shares, depending on qualification criteria (liquidity, other criteria applied to issuers, etc.),
- removing the mandatory suspension from trading of issuers when General Shareholders Meeting are held, removing the two days without trading before rights start trading, introducing the option of receiving current reports during trading hours, reviewing the provisions regarding Watch List and delisting.

There changes entered into force at later dates, after their approval by the FSA.

2 May – BVB's **market making program was updated**, as follows:

- the Market Makers' activity would be carried out on the House account, without any specific procedures when submitting/administering orders/quotes;
- the trading fee charged by BVB was set at 0.01% (on the buy side and on the sell side), for the trades executed on the House account, depending on the fulfilment of the daily quoting obligations on the House account for the symbol.

5 May – A new stage in the trading program, **Trading at last**, was implemented. Trading at last is available for shares and rights (local and international) traded in the Regulated Market and lasts 10 minutes until 18:00, at the end of the trading session. At the same time, Pre-Opening was reduced by 15 minutes.

15 May – The 5-year **corporate bonds issued by Raiffeisen Bank SA**, worth of RON 500 mn and carrying a fixed interest rate of 5.35% p.a., started trading at BVB. The public offer for the sale of the bonds took place earlier in the month, on May 7.

2 June – BVB started paying dividends for 2013 to shareholders of record as of May 15, 2014, in line with the Ordinary General Shareholders' Meeting resolutions of April 25, 2014.

On the same date, BVB's Index Committee met in a regular session and approved the **initial composition of the new BET Plus index**, calculated officially starting with June 23, 2014. At the same time, BET-C ceased to exist.

16-25 June – The **IPO for Electrica SA** took place, the total amount being raised being approx. EUR 444 mn. The Ministry of Economy (through the Department for Energy) sold 177,188,744 new securities, both shares and Global Depositary Receipts (GDRs), accounting for 51.2% of the total number of shares after the capital increase. The volume of shares offered was subscribed approximately two times. More than 80% of the securities were sold as shares. Institutional investors bought 79% of the securities sold in the IPO and the retail investors the rest of 21% – a total of 11,600 investors according to the IPO syndicate.

23 June – The **Great Barriers Shift working group** saw the first results of their efforts as significant steps were taken in eliminating capital market barriers 2 (Investors' fiscal compliance) and 5 (Excessive cost of participation in the market).

FSA decided to reduce from 0.08% to 0.06% the fee applied to the buy side of each trade with financial instruments, while the fee applied for Market Makers for the buy side of trades executed on the Regulated Market

and/or the alternative trading system was maintained at 0.04%. In addition, entities supervised, authorized and regulated by the FSA would be exempt from paying the RON 10,000 fee for official responses to questions on the application of laws and regulations.

Moreover, the Government approved the Emergency Ordinance amending and supplementing the Fiscal Procedural Code, thus:

- eliminating the obligation of having a fiscal representative for non-residents who have declarative obligations in Romania, if they are resident in an EU Member State or a country that is part of an international legal instrument signed with Romania which contains provisions on administrative cooperation in the field of taxation and recovery of tax claims, and
- offering the possibility of electronic communication between the taxpayer and the tax authorities for various procedural acts or requirements (to be followed by a common order of MPF and Ministry of Regional Development and Public Administration in this regard).

24 June – The shares of **Imsaproiect Bucharest** started trading on the alternative trading system managed by BVB.

25 June – The 5-year **corporate bonds issued by Garanti Bank SA**, worth of RON 300 mn, started trading at BVB.

28-29 June – BVB organized at Neptun the first edition of the **Individual Investor Forum**, an event which brought together capital market experts, analysts and academics to present and debate on products and services for retail investors, investment decisions and portfolio management. The Forum gathered around 100 participants, of which 60 were retail investors. Based on a survey conducted on this occasion among retail investors, the **InvestingRomania** program emerged and 10 recommendations were adopted, among which: systemic measures for the safety of savings and investments, pro-development taxation solutions, better accessibility for individual investors, stronger corporate governance and new instruments for SMEs.

30 June – Following BVB's Board of Governors decision, **Ipopema Securities SA**, one of the top brokerage companies at the Warsaw Stock Exchange and also active at the Budapest Stock Exchange, became a Participant at BVB.

At the same meeting, BVB's Board approved several **amendments to *BVB's Rulebook – Market Operator*** introducing cross orders, new solutions for Trading at last and new features for trading orders, all aimed at improving trading activity. The Code of BVB's alternative trading system was also amended to reflect the system's new design, aimed at increasing the number of listed companies and at creating an efficient environment for issuers and investors. These changes became effective at later dates, following FSA's approval.

During the **2nd quarter of the year**, 10 new series of turbo certificates issued by Erste Bank and 2 new series of turbo certificates issued by SSIF Broker started trading at BVB. These instruments have indices and stocks (Erste Bank, Fondul Proprietatea and SNGN Romgaz) as underlying assets.

3rd Quarter

3 July – The shares of **Electrica** started trading on BVB's Regulated Market. Raiffeisen Centrobank AG, one of the Participants that had joined BVB's market makers program, announced that it would act as a market maker for Electrica shares.

22 July – BVB released the first edition of the **International Investors' Guide**, part of the *InvestingRomania* program. The Guide includes relevant information that a foreign investor would like to know about Romania when interested to invest on Romanian capital markets.

29 July – BVB's Board decided that BVB will not charge any fees for transactions executed on the primary market by the Ministry of Public Finance (MFP) for **government securities issuances designed exclusively for retail investors**. Trading fees charged for transactions for the secondary market will be RON 1/trade, for both buyers and sellers.

On the same date, BVB announced the inclusion of **Electrica** shares in BET, BET-XT, BET-BK, BET Plus and BET-NG. The new structures of the indices became effective on August 11, 2014.

27 August – After the launch of its mobile application, BVB continued its endeavors aimed at adapting business to new technologies by introducing the **new BVB tablet app**. Until the end of 2014, BVB's apps were downloaded by more than 9,000 users.

28 August – The **Financial Supervisory Authority** adopted meaningful **regulations** enhancing the protection of investors' rights regarding, among others, the dividend payments procedures, the execution of voting rights and the requirements related to the opening of investment accounts, in line with the diagnosis contained in the Eight Barriers elimination program.

1 September – The Index Committee decided to launch **BET Total Return (BET-TR)** on September 22, 2014. The

index would follow the same composition as the reference index BET and will track the overall performance of the constituents, including the price performance and the dividends.

In addition, the Committee established the **screening criteria related to reporting quality and investor relations activities** for determining the eligible companies for BET and BET-TR indices. Thus, starting with January 1, 2015, eligible companies will have to comply with three criteria: reporting according to IFRS, submitting English language reports (current and periodic) simultaneously with the Romanian version and organizing events for investors and analysts on a quarterly basis.

25 September – A new issue of **benchmark government securities** issued by the Ministry of Public Finance (RON 734.25 mn nominal value, maturing in 2025, 4.75% interest rate) started trading at BVB.

During the **3rd quarter of the year**, 23 new series of turbo certificates issued by Erste Bank and 2 new series of turbo certificates issued by SSIF Broker started trading at BVB. These instruments have indices, stocks (Volkswagen VZ, Deutsche Bank, Fondul Proprietatea, Banca Transilvania, OMV Petrom, Erste Group Bank), commodities and foreign exchange rates as underlying assets.

In addition, SSIF Broker issued the **first ever capital protection certificate**, having the shares of adidas AG as underlying asset. The certificate started trading at BVB on September 1.

4th Quarter

1 October – **Lower trading fees became effective** for trades executed on the Regulated Market, Rasdaq market, ATS and the Unlisted market. BVB's decision, which follows a similar move of the FSA to lower its own fees, is meant to support trading activity and contribute to the development of the local capital market. Lower fees apply to shares, fund units, rights, ETFs, structured products, bonds and government securities, but do not apply to Deal markets. Thus, the fee for trading shares on the Regular and Odd Lot segments fell to 0.04% for the buy side and 0.1% for the sell side of the trade. For bonds, the fee was cut to 0.01% for both the buyer and the seller.

On the same day, further **measures to stimulate market makers' activity** were implemented. Measures included discounts to be provided to new entrants in the program for a 6-month period, while for existing market makers BVB would apply an additional incentives package, called the Revenue Sharing Scheme. The latter implied incentives directly linked with the percentage of the market maker's activity in the total traded value for a particular issuer in the main market. In addition, the list of shares for which market making services can be offered was extended to all constituents of BET Plus index.

6 October – Two major infrastructure projects of the Romanian capital market, the **separation of the trading and post-trading systems** and the **transition to the T+2 settlement cycle**, were completed successfully. The systems segregation is aimed at facilitating the efficient trading activity of market participants, the use of global accounts in a similar manner as in most developed European markets and the automation of post-trade operations. Operational risks of custodian agents are also significantly reduced. In addition, the reduction of the settlement cycle from 3 days to 2 days also contributes to increased efficiency and reduced post-trade risks, as a result of lower counterparty risk and higher rate of capital reinvestment.

15 October – IFB Finwest became a **market maker for Ropharma** shares. At the end of 2014, IFB Finwest was a market maker for 2 listed companies, i.e. Ropharma and the Bucharest Stock Exchange.

22 October – BVB held in London the first of a series of events dedicated to institutional investors based in the British capital city, branded "**Romanian Capital Market – Up the Ladder to Emerging Market**". The conference was hosted by the European Bank for Reconstruction and Development (EBRD) and was also supported by Bloomberg.

On the same day and also in London, BVB and the Embassy of Romania to the United Kingdom of Great Britain and Northern Ireland organized for the first time an interactive workshop for Romanian professionals who work in London's financial industry. The stage of development and the perspectives of the Romanian capital market were presented to 29 professionals from 15 financial institutions, 3 top universities and one professional association.

24 October – The **Law no. 151/2014**, on the clarification of the legal status of the shares traded on Rasdaq market or on the unlisted securities market, entered into force. The Law was followed at the beginning of December by FSA's Regulation no. 17 which set out the rules according to which Rasdaq-listed companies would be transferred to a regulated market or an ATS.

30 October – The second edition of the virtual trading competition **BVB Invest Quest (BVB IQ)** was launched, organized together with four brokerage companies as partners (BCR, IFB Finwest, SSIF Broker and Tradeville). It included a campaign of 23 seminars and workshops in

Bucharest and 11 other cities, as well as 3 webinars, focused on capital market investments and stock exchange mechanisms. In total, more than 1,700 people attended the seminars campaign. The virtual trading competition started on 24 November 2014 after a 2-week training session and ended on 30 January 2015.

3 November – BVB announced that FSA approved **amendments to *BVB Rulebook – Market Operator*** regarding the new segmentation of the Regulated Market and other measures for increasing the visibility and liquidity of listed shares. According to the new market segmentation, tiers 1, 2 and 3 for shares would be replaced in 2015 by Premium and Standard tiers. In order to be admitted to the Premium tier, an issuer should have a free float of at least EUR 40 mn, while the maintenance or upgrade from Standard are conditioned by the level of trading activity and the existence of at least one market maker for the company's shares.

The new Rulebook also states that issuers can and are encouraged to submit press releases / current reports during the trading session, and that financial instruments will be no longer suspended from trading during the general shareholders meetings – these changes became effective on 10 November. New provisions were also introduced in the area of corporate governance, which would become effective at a later date as set by BVB's CEO, after the approval of the new *Corporate Governance Code*.

6 November – Wood & Company became a **market maker for Electrica** shares. At the end of 2014, Wood & Co. was a market maker for 7 listed companies, i.e. Fondul Proprietatea, BRD-Groupe Societe Generale, Romgaz, OMV Petrom, Transgaz, Banca Transilvania and Electrica.

2 December – BVB made another step towards a developed market infrastructure, by **eliminating the Odd Lot market**. Thus, orders on the Regular market can now involve any number of shares (any volume), allowing for increased flexibility, efficiency, lower cost and faster reaction to changing market situations.

2-3 December – BVB participated to **Wood's Winter in Prague – Emerging Europe Conference**, meeting and discussing with investors interested in the CEE region and emerging markets. During the 2-day event, BVB had a group presentation focused on the Romanian capital market reform and its medium-term goal of becoming an Emerging Market and participated to 1-on-1 meetings with institutional investors representing more than EUR 10 bn in assets under management.

8 December – BVB extended the **trading program for the bond market** until 18:00, thus aligning the trading hours with those for shares, rights and fund units markets.

Starting 8 December, 4 new foreign companies were added to **the international equities segment** of the alternative trading system operated by BVB, i.e. Commerzbank AG, Continental AG, Deutsche Lufthansa AG and Deutsche Post AG. All shares have Tradeville as market marker.

10 December – FSA approved the regulations concerning BVB's alternative trading system. **AeRO, the new market dedicated to small and medium sized enterprises**, started operating later, during the first part of 2015. Eligible companies will need an anticipated market capitalization of at least EUR 250,000, as well as a free float of at least 10% or minimum 30 shareholders. With AeRO, the role of Authorized Advisor is introduced – an entity that will assist the entrepreneur in the pre-listing period, during the listing process and beyond, for reporting purposes (financial reports, current reports, general shareholders' meetings, etc.). The current international equities segment will continue to exist, as will the bond segment.

During the last part of the year, several events/ conferences/workshops were organized and/or attended by BVB in Bucharest and throughout the country, where the AeRO project was presented to entrepreneurs as a solution to accessing and diversifying financing opportunities.

15 December – BVB launched its **new website** – a more user-friendly www.bvb.ro, with a contemporary design and enhanced content for companies, entrepreneurs and investors. The new website brings more intuitive navigation and introduces new features, rich trading and statistics content, along with better accessibility of key information on various financial instruments listed at BVB and on products and services offered.

17 December – BVB introduces **new tools for investors and intermediaries**, i.e. new orders (cross orders, Fill And Kill/Fill Or Kill), new order validity terms related to various market stages, as well as an enhanced Trading at Last model in which trades can be executed even in cases where for a particular share there is no price set in the Auction stage.

22 December – BVB announced the start of **consultations on the new *Corporate Governance Code*** with listed companies and relevant organizations representing investors. In a joint project together with EBRD, BVB reshaped the existing Code, in force since 2008, taking into consideration the relevant international standards, the changes of incident legal frameworks in Romania and EU, the experience gained following the implementation of the

first Code, and also the new aspirations of the society in general and of the parties directly covered by responsibilities and management of business. A restrained set of corporate governance principles became effective for AeRO listed companies, at the time of launching the new market in February 2015.

23 December – The Government issued the **Emergency Ordinance no. 90/2014**, amending and supplementing the Capital Markets Law 297/2004. The GEO was published in the Official Gazette on December 30, 2014 and entered into force on January 9, 2015. The ordinance brought several changes to existing legislation which were meant to simplify and clarify the voting procedure in the general shareholders meetings, to consolidate the creation of a centralized dividend payment system, to improve the public offers mechanisms and listing regime, as well as to increase the ownership threshold for market operators (from 5% to 20%) and to change the quorum requirements for the extraordinary general shareholders meetings for market operators.

During the **last quarter of the year**, 31 new series of turbo certificates issued by Erste Bank and 5 new issues of certificates issued by SSIF Broker (3 turbo certificates and 2 capital protection certificates) started trading on BVB. These instruments have indices, stocks, commodities and foreign exchange rates as underlying assets.

PROJECTS AND ACCOMPLISHMENTS

1. Potential reclassification of the Romanian capital markets to Emerging Markets

BVB's primary medium-term objective, widely supported by market participants, Romanian Financial Supervisory Authority (FSA) and the Government, remained the upgrade to the Emerging Markets status by internationally acknowledged institutions. Both quantitative and qualitative criteria should be met in order to access a superior classification.

As expected, 2014 was a year of ambitious projects, as detailed in the following sections. As a first step, the Barriers or obstacles to normal development of the capital markets in Romania were identified and described in the Paper "Eight Systemically Important Barriers for the Creation of the Modern Capital Markets in Romania". Subsequently, a deeper analysis of the Barriers was undertaken and the actual legislative changes to support the elimination of the Barriers were identified. In addition, steps were taken in line with the Three-Pillar Action Plan set out at end-2013, which is serving BVB's Measures of Strategic Objectives.

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

Wide reform of the capital market legal framework. A broad legislative transformation occurred in 2014, with the Emergency Ordinance no. 40/2014 amending and supplementing among others the Fiscal Procedure Code (approved in June), five FSA regulations changed in August and the Emergency Ordinance no. 90, amending and supplementing the Law no. 297/2004 on capital markets passed in December, addressing issues referring to account opening procedures, investors' corporate rights, dividend payment procedures, primary market offerings, the increase of the ownership threshold for market operators and the change of quorum requirements for the extraordinary general shareholders meetings for market operators.

In more detail, the issues addressed by these pieces of legislations (excepting EO no. 90/2014) referred to:

- The elimination of the mandatory appointment of a fiscal representative for non-resident investors when registering fiscally in Romania and the acceptance of documents in English for opening the account;
- Changes of the provisions regarding public offers: simplified documentation/procedures, elimination of the minimum duration of an offer, clarification of certain rights of the offeror/issuer, introduction of the option of having the prospectus drafted in a language widely used by the international financial community;
- Reduction of the length of the public offering process by at least 40 days, by eliminating the proof of publication of the decision of the General Shareholders' Meeting (GSM) in the Official Gazette and by requesting only a statement from the management of the company regarding any opposition as to the moment of submitting the documents to FSA for the approval of a public offering;
- The enforcement of provisions regarding the distribution of GSM-related information in both Romanian and English within minimum 30 days before the GSM and, for the vote in the GSM, allowing proof of identity of the legal representative to be made based on the list received from the Central Depository;
- The introduction of provisions on how to replace a vote casted by correspondence for a GSM;
- The introduction of the issuers' obligation to establish and include certain key dates (payment date, record date) in GSM decisions and to submit to the Central Depository certain information provided in the report.
- The introduction of the concept of "substitute representative" for the GSM, allowing for a contingency backup to the extent the first representative is unable to attend the meeting.

The Emergency Ordinance no. 90, amending and supplementing the Law no. 297/2004 on capital markets, was a breakthrough for the Eight Barriers project, building further momentum for the local capital market. The changes referred mainly to 3 of the 8 Barriers and issues related to the regulation of market operators, as follows:

- 3rd barrier – Not respecting corporate rights of the investors: simplification of the proxy voting procedure, clarification of the power of attorneys regime, elimination of the mandatory vote instructions in the power of attorney, simplification of the requirements regarding the documents for the GSM, assertion of the Central Depositary's role as database, simplification of the correspondence voting procedure;

- 4th barrier – Lack of international standards with regard to servicing investors' rights for dividends: the creation of a centralized system for dividend payments;
- 7th barrier – Primary market: elimination of the requirement of making a public offer announcement, clarification of the advertisements regime, possibility of omitting of information regarding the final offer price and amount of securities in line with the Prospectus Directive provisions, simultaneous approval of the admission to trading by the FSA and by the regulated market operator, new quorum threshold for disapplication of preference rights;
- Market operators – Threshold and quorum: raising the ownership limit in a market operator's capital to 20%, lowering the quorum requirements for the extraordinary general shareholders meetings similar to the Company Law no. 31/1990 requirements (1/4 from the voting rights for the first meeting and 1/5 for the second meeting).

The provisions of the Emergency Ordinance no. 90/2014 entered into force at the beginning of 2015.

Reduced market costs. With market costs among the issues to be addressed the Eight Barriers program, BVB has lobbied for a reduction of fees charged by the FSA. Announced in mid-June and implemented 3 months later (September 16th), the first move in this direction was the 25% cut of the fee charged by FSA to the buy side of trades executed through the stock exchange, from 8 bps to 6 bps.

Two weeks later, BVB implemented its own innovative fee reduction scheme. Thus, on October 1st, lower fees entered into force for the regular trading of shares, bonds, structured products and other instruments. Deal market fees remained unchanged. The positive effect was a more intense regular trading activity, mirrored by the strong reduction of Deal trades as percentage of total trading value, mostly visible in the Regulated Market for equities where Deal trades decreased from an average of 45% of total turnover (over the first 9 months of 2014) to 18% during the last three months of the year.

New guide for institutional investors. On July 22, 2014, BVB released the first edition of the *International Investors' Guide*, which included relevant information that a foreign investor would like to know about Romania when interested to invest on Romanian capital markets. The document highlights several strengths of the local capital markets, including a clear growth story, the presence of several defensive stocks with a good track record as dividend payers, a successful privatization program, the potential upgrade to Emerging Markets status, wide market reform and the growing domestic potential.

A separate section of this document is dedicated to fiscal issues applicable to non-resident investors, with new guidelines following the change of the Fiscal Procedural Code, pursuing the adoption by the Government of the Emergency Ordinance no. 40/23.06.2014. This change, requested by the Eight Barriers project, was aimed at eliminating the obligation of having a fiscal representative for non-residents who have declarative obligations in Romania, if they are resident in an EU Member State or a country with which Romania has concluded a double taxation treaty or other legal act through which information can be exchanged. The information in this section was developed under the guidance of the fiscal authority. In addition, relevant tax returns, translated into English, were attached to the document.

2. Increase of liquidity

Privatizations through the capital market. The event of the year in the area of privatizations was the IPO for Electrica, worth of approx. EUR 444 mn, which was not only the largest ever IPO at BVB, but also became one of the largest IPOs of the year in Europe. The Ministry of Economy (through the Department for Energy) sold 177,188,744 new securities, both shares and Global Depositary Receipts (GDRs), accounting for 51.2% of the total number of shares after the capital increase. The volume of shares offered was subscribed approximately two times.

More than 80% of the securities were sold as shares, resulting in a more favorable shares/GDR ratio than in the case of Romgaz offer of 4Q 2013, when almost 2/3 of the securities were sold as shares and 1/3 as GDRs.

Institutional investors bought 79% of the securities sold in Electrica IPO while retail investors acquired the rest of 21% – a total of 11,600 investors according to the IPO syndicate. The majority of institutional investors who subscribed in the IPO are from Romania, Poland, UK and US. Following the IPO, EBRD and ING Groep became the company's 2nd and 3rd largest shareholders.

BVB answered participants' and investors' requirements and accommodated an improved offer structure, in compliance with the prospectus. Thus, within the small retail tranche, a separate a 100% guaranteed allocation was made available for the subscriptions that cumulatively do not exceed 1,000 shares. A 5% discount was also offered to retail investors for subscriptions made during the first 5 days of the offer. Furthermore, BVB organized workshops with brokerage houses to present the particular characteristics of the subscription process and technicalities involved.

BVB contributed to the promotion of the offer by marketing the offer through all accessible national and international means. A dedicated page was made available on the website for Electrica IPO with information on the offer, the prospectus and other related documents, as well as the list of participants through which retail investors can subscribe to the offer.

A friendlier listing process. In line with other actions taken in the context of the Eight Barriers project, BVB took initiative and reviewed its Rulebook in the area of admission to trading of financial instruments, in order to eliminate bureaucratic and formalistic provisions, time-consuming and costly procedures. The main amendments referred to elimination of cumbersome formalities such as translated documents, elimination of filing documents if the information is included in the prospectus, elimination of unnecessary information required by other authorities, elimination of additional declarations from the issuer, offering international issuers the possibility to file the documentation in Romanian or English.

In addition, the documentation for admission to trading will be transmitted to BVB together with the request for admission, before being approved by FSA, in order for BVB to issue the agreement in principle and to be able to initiate the procedure of admission. Thus, BVB's approval would be ready as soon as the documentation is approved by FSA, improving the efficiency of the process.

Attracting new issuers. BVB continued its activities to attract new private companies on the stock exchange and to promote funding through the local capital market, in cooperation with brokerage companies.

Apart from the above-mentioned IPOs, in 2014 one company was transferred from Rasdaq market to BVB's Regulated Market, i.e. Natura Quattuor Energia Holdings, while the Alternative Trading System (CAN-ATS) received two new issuers, Premia Finanziaria and Imsaproiect. In the corporate bonds segment, the issues of Transelectrica, Raiffeisen Bank and Garanti Bank bonds started trading, after offers of RON 1 bn (the offer for Transelectrica bonds was executed at the end of 2013).

Since mid-2014, BVB also focused on redesigning the existing Alternative Trading System, investing considerable efforts in popularizing it as a tool for developing companies such as start-ups and SMEs to finance their growth. Financing solutions through the stock exchange were presented throughout the country in various conferences, workshops and other events, where entrepreneurs and companies on one side and investors on another would find additional opportunities for financing or respectively for investing. Partners for such events were Ernst & Young, Certinvest, DoingBusiness and others.

The end of the year brought FSA's approval of the regulations concerning BVB's alternative trading system. AeRO, the new market dedicated to small and medium sized enterprises, started operating in February 2015. Eligible companies will need an anticipated market capitalization of at least EUR 250,000, as well as a free float of at least 10% or minimum 30 shareholders. With AeRO, the role of Authorized Advisor is introduced – an entity that will assist the entrepreneur in the pre-listing period, during the listing process and beyond, for reporting purposes (financial reports, current reports, general shareholders' meetings, etc.).

In October, the Law no. 151/2014 on the clarification of the legal status of the shares traded on Rasdaq market or on the unlisted securities market, entered into force. The Law was followed at the beginning of December by FSA's Regulation no. 17 which set out the rules according to which Rasdaq-listed companies would be transferred to a regulated market or an ATS. BVB organized conferences and other events aimed at presenting to existing Rasdaq-listed issuers the advantages of remaining listed on a market either a regulated on or on an ATS, while at the same time clarifying the issues arisen with the new legislation.

Attracting new investors. One of the main events dedicated to retail investors took place on June 28 and 29, at Neptun. BVB organized the first edition of the Individual Investor Forum, an event which brought together capital market experts, analysts and academics to present and debate on products and services for retail investors, investment decisions and portfolio management. The Forum gathered around 100 participants, of which 60 were retail investors. Based on a survey conducted on this occasion among retail investors, the InvestingRomania program emerged and 10 recommendations were adopted, among which: systemic measures for the safety of savings and investments, pro-development taxation solutions, better accessibility for individual investors, stronger corporate governance and new instruments for SMEs.

As regards the institutional investors, BVB initiated a series of events branded "Romanian Capital Market – Up the Ladder to Emerging Market" held in London and dedicated to UK-based institutionals. The first conference took place on October 22 and would be organized quarterly, aimed at increasing awareness of the investors' community on the major progress made by the Bucharest Stock Exchange in terms of market reform. On the same day and also in London, BVB and the Embassy of Romania to the United Kingdom of Great Britain and Northern Ireland organized for the first time an interactive workshop for Romanian professionals who work in London's financial industry. The stage of development and the perspectives of the

Romanian capital market were presented to 29 professionals from 15 financial institutions, 3 top universities and one professional association.

As a listed issuer, BVB also participated to investor conferences and meetings organized by investment funds, local and international brokers, international institutions and organizations and others, where again it presented the opportunity an investment in the local market presents.

BVB continued to promote the capital market for the new generations of investors. Its involvement in this area included organizing meetings with investors (Investor Focus), the launch of the BVB Invest Quest virtual trading competition, including a powerful educational seminar and webinar campaign (further details in the section "Increase of visibility"), the continuation of the traditional educational project "Open Door Days at BVB" with 70 new events, the partnership with SSIF Broker in organizing the "Broker Academy" educational roadshow and the contribution to organizing other events aimed at promoting stock exchange mechanisms and services.

New market segmentation. In November 2014, FSA approved a number of amendments to *BVB's Rulebook – Market Operator* regarding the new segmentation of the Regulated Market, designed to enhance the visibility of local companies, as well as the trading turnover. With these changes, which entered into force at the beginning of 2015, tiers 1, 2 and 3 were replaced with two new tiers, i.e. Premium and Standard. In addition to the general criteria for admission to trading on the Regulated Market, the value of the free float for issuers applying for listing on the Premium tier must be at least EUR 40 mn. In order for the issuer's shares, including investment companies, to be admitted to Premium Tier, one of the following alternative criteria must also be met:

a) the issuer is one of BVB's most traded companies;

b) the issuer's average free-float capitalization for the last 3 months is greater than a certain value set by BVB;

c) for issuers that do not match the criteria provided at a) or b) but which have a liquidity ratio above the threshold established by BVB, the issuer must have signed a contract with a market maker to support market liquidity.

In addition, tiers 1, 2 and 3 will also be removed for rights and corporate bonds. These financial instruments will be classified as rights and bonds, without any further differentiation.

Fewer market interruptions & improved information flow. Apart from the above-mentioned changes, November also brought other changes to BVB's Rulebook, referring to the elimination of the provision that stated that current reports should only be submitted by issuers outside trading hours. With this change, enforced on November 10, 2014, issuers were encouraged to submit releases and current reports as soon as they were available to them, also during the trading session, but no later than 24 hours following the occurrence of the event in question.

In addition, if during a trading session an issuer is to submit a release/current report that contains information that could significantly impact the price/yield or the investment decision, it must notify BVB at least five minutes before sending the release/current report.

Another important change to *BVB's Rulebook* stipulated that the issuer's financial instruments would no longer be suspended from trading during the issuer's General Shareholders Meeting.

All these changes were aimed at improving the flow of information towards investors, and consequently at supporting liquidity, while also minimizing the risks inherent to possessing price-sensitive information.

A new Market Making program. On January 3rd, BVB introduced a pilot market making program designed to improve liquidity and market quality. The program was assessed after the first 6 months and was extended by another 12 months.

In exchange for their market making services, provided in line with the quoting obligations assumed, participants in the program would benefit from reduced fees down to as low as 0.01%.

On October 1st, further enhancements were brought to the program. Measures included discounts to be provided to new entrants in the program for a 6-month period, while for existing market makers BVB introduced an additional incentives package called the Revenue Sharing Scheme. The latter implied incentives directly linked with the percentage of the market maker's activity in the total traded value for a particular issuer in the main market. In addition, the list of shares for which market making services can be offered was extended to all constituents of BET Plus index (40 companies at the end of 2014).

At the end of the year, there were 5 brokerage companies acting as market makers (Wood & Company, Banca Comerciala Romana, Raiffeisen Centrobank AG, SSIF Broker, IFB Finwest), covering 11 issuers: OMV Petrom, Erste Group Bank AG, Banca Transilvania, Transgaz, Romgaz, BRD-Groupe Soc. Gen., Bucharest Stock Exchange, Electrica, Ropharma. Thus,

the program allowed Participants to register as market makers for more shares than in the past, while some of them became market makers for the first time. In addition, some companies benefited for the first time from a market maker's services. Market makers' trading value increased gradually, from around 5% during 1H.2014 to 7-8% towards the end of the year.

In addition to the market making program described above, BVB also introduced the concept of Issuer's Market Maker, which is expected to contribute, based on a partnership with the issuer, to the improvement of the trading activity for its shares. The new provisions of *BVB's Rulebook* in this area were approved by the FSA. Further, BVB developed the general framework of the program and performed an initial research and promotion campaign among issuers and brokerage companies.

Extension of the trading hours and the introduction of Trading at Last. Trading hours were extended and revised in several steps, to increase correlation with European markets and to ensure a uniform trading framework for the financial instruments traded at BVB, in order to address the potential interest of the participants and investors and to facilitate them an adequate and timely trading activity. While financial instruments would be available for trading for a longer time period, conditions are created for a more active implication of foreign investors, including institutional investors.

In a first step, the trading session for shares, fund units and rights was extended from 16:45 to 18:00. Further, on May 5, 2014, pre-open/pre-close stages were adjusted and a 10-minute stage named Trading at Last was implemented after the closing of the market, allowing investors to perform trades at the last closing auction price. The reform of trading organization continued in December, as BVB aligned the trading hours for bonds with those for shares, rights and fund units.

Promotion of short selling and securities lending. After the FSA issued a draft regulation on short selling and securities lending and submitted it to the public for consultation, BVB initiated a working group with market participants and the Central Depository to performed a wider consultation and analyze the issues arising in this area. BVB prepared a package of proposed changes to the draft regulation which were submitted to the Financial Supervisory Authority.

3. Development of the capital market infrastructure

System separation and support for T+2 implementation. The separation of the trading system from post-trading, one of the major infrastructure projects of the local capital market, was effectively implemented on October 6, 2014, after the FSA's previous approval of the necessary changes to *BVB's Rulebook*. This technical development, along with the migration to the T+2 settlement cycle which was implemented on the same day, represented far-reaching steps towards a modern and fully fledged capital market infrastructure. Complementary to the regulatory reforms for the removal of the Eight Barriers, these changes brought the local market closer to meeting the qualitative requirements considered for the potential upgrade to Emerging Markets.

The systems separation is aimed at improving flexibility and efficiency for participants' operations, at significantly enhancing operating performances and processing capacity (lower round-trip time for order execution, higher order processing capacity, lower internal latency in order execution etc) and higher control of operating risks.

A consequence of systems' splitting was the 100% increase of the processing capacity of Arena: the number of quotations allocated to market makers and to liquidity providers doubled, order instruction total round-trip time decreased by 50%, trade allocations process in post-trading became more flexible, risk management improved by using segregated accounts of trading and settlement, the separation of the participants' activity at the front/back office level became clearer. In addition, increasing the trading efficiency (grouped trades execution, change in brokers' behavior - focusing on best execution, not on operational details).

As for the T+2 implementation, BVB has drafted the implementation plan with specific activities and deadlines, has led the consultation and communication process with market participants regarding the implementation process of system splitting and T+2, has drafted the supporting materials towards the implementation of system splitting and T+2 and has provided the IT-support for the testing phase. Throughout the entire process, BVB cooperated with the Central Depository and was involved in the dialogue with market authorities.

The reduction of the settlement cycle contributed to increased efficiency and reduced post-trade risks, as a result of reducing counterparty risk and increasing the rate of capital reinvestment.

Higher security and performance of IT systems. With regard to security and processing capacity, during 2014 the trading system was operating 99.99% of the time (system uptime). The central system functioned at 15% of its processing capacity, occasionally reaching as much as 25% of the total capacity.

During the year, several software upgrades of Arena system were performed, referring to the implementation of the Trading at Last stage, described in an earlier section of this document, the separation of trading from the post-trading environment, which resulted in two separate central systems, the introduction of new order types and validity terms and so on.

New facilities for Arena trading system. Towards the end of the year, BVB introduced a series of new facilities in the trading system, thus continuing its journey towards the Emerging Markets status. These enhancements provided investors and intermediaries with new tools for executing their transactions by allowing trades at the Trading at Last stage even with shares for which there was not set a price in the Auction stage. In addition, cross orders, Fill And Kill/Fill Or Kill orders and new validity terms of the orders related to the market stages were implemented. These new tools became effective as of December 17.

Elimination of the Odd Lot market. The first steps towards reducing market fragmentation were made at the end of April 2014, when for the main and negotiated markets of the Regulated and Rasdaq markets new block sizes were made available. The variety of block sizes applied to the shares traded on the market was narrowed, and block sizes for some shares were reduced to make them more accessible to investors.

On December 2, 2014, the elimination of the Odd Lot market became effective, at the same time with the elimination of all restrictions and special requirements with regard to the size of the orders introduced in BVB's system, for all markets. The existing Regular market remained the only execution segment and the block size for all instruments was reduced to 1.

The move was intended to increase efficiency of the trading process, to reduce specificity of the local market and to bring more standardization, resulting in a good environment for the existing and new members of BVB.

Development of data vending activities and the improvement of the accessibility of stock exchange information. The Bucharest Stock Exchange continued to support its data clients by developing the services which allow for automatized access and transmission of BVB information directly to the clients' systems (e.g. web services, real-time data products, the transparent trade reporting system, professional data feed). In 2014, stock exchange data from BVB's systems were disseminated via 41 specialized data vendors (among which ThomsonReuters, Bloomberg, InteractiveData, SIX Financials, Fidessa etc) and displayed in real time on more than 1,300 terminals of end-users.

BVB's website www.bvb.ro was available without interruptions throughout the year, being accessed on average by 4.3 mn of requests per day. The daily average number of visitors (unique IPs) was around 14,500. At the same time, the number of users registered on the website increased gradually, to 13,500 users. Registered users have access to the free-of-charge services offered by BVB, such as portfolio evaluation, alerts, watchlists, subscription to newsletters and trading summaries submitted automatically via email.

On December 15, 2014, BVB launched its new, in-house developed corporate website under a new concept, with a greater marketing focus. The website introduced high performance technology, new navigation tools and easier access to information, dedicated pages for attracting issuers and investors, a powerful tool to search for price/instruments, enhanced financial instruments profiles, modern social network connectors and so on.

In March 2014, BVB enriched its range of products for accessing market information by launching its mobile application, a tool designed for investors interested in accessing up-to-date information about BVB's markets: market activity, investor news, indices, prices for listed securities, data and indicators of listed companies, company news, list of exchange members. The goal was to increase availability of market-related data to all categories of users: investors, brokers, listed companies and the general public, as a response to the increasing demand for information availability via mobile devices.

The app, available in both Romanian and English, offers easy navigation, quick access to menu functions, charting tools and many other facilities. BVB further launched the tablet app, which offered similar features as the smartphone version. Both apps are available for free-of-charge download in Google Play and Apple Store. Until the end of 2014, BVB's apps were downloaded by more than 9,000 users.

The establishment of the Central Counterparty (CCP). On September 13, 2013, the Bucharest Clearing House submitted the documentation for authorization based on the legal provisions in force, an action that allowed the Bucharest Clearing House (BCH) to continue its activities and specific services of a clearing house/central counterparty until a decision of approval or rejection of the authorization request is taken by the national competent authority, FSA.

Considering that FSA has extended the deadline for the current clearing house compliance, in 2014 BVB has continued the endeavors for attracting stakeholders for the establishment of the institution at European standards.

According to the provisions of FSA Regulation no. 3/2013 for the authorization and functioning of central counterparties issued in accordance with the provisions of Regulation (EU) no. 648/2012 of the European Parliament and of the Council of July 4, 2012 on OTC derivatives, central counterparties and trade repositories, the initial deadline for submitting additional information was maximum 90 days from the date of FSA's request, respectively since mid-February 2014.

During 2014, a new regulation (FSA Regulation no. 2/2014) and two other FSA decisions (Decision no. 41/2013 and Decision no. 75/2014) have been issued for allowing the institution to provide additional information in order to complete the documentation for CCP authorization. These actions allowed BVB, as majority shareholder of BCH, to search for more opportunities to identify appropriate solutions. According to changes and supplements to FSA's Regulation no. 3/2013, of which the most recent were issued on September 26, 2014, the deadline for complying with the legal requirements was set for January 31, 2015.

On February 26, 2015, FSA issued the rejection of the application of BCH as central counterparty based on European standards (EMIR). FSA established a 30 days period for BCH to request the withdrawal of the current license as clearing house, otherwise, FSA would apply the provisions regarding the withdrawal of the authorization by sanction.

Based on the new provisions of the Law no. 297/2004, approved by the Law no. 10/2015, BVB and BCH currently explore a potential solution that might allow BCH to preserve the current clearing house license for other instruments than derivatives, under an adjusted scope of work. The proposal will be provided to FSA/ESMA for further discussions and analyses.

4. Development of new products and services

Restructuring of BVB market indices. Announced at the beginning of the year, the restructuring of BVB's indices was carefully planned and unfolded gradually. Changes eyed the introduction of new eligibility criteria for BET, the launch of BVB's first total return index and the introduction of a new broad market index meeting minimum investibility criteria.

The revision of the screening criteria for the main market index BET was announced in September 2014 and implied the introduction of three criteria concerning the quality of reporting and investor relations activities. The aim of these measures was to highlight the elite character for BET constituents not only in terms of liquidity, but also in terms of transparency and investor relations activities.

Starting 2015, the criteria that must be met for a company to become eligible for BET are:

- reporting obligations fulfilled according to the International Financial Reporting Standards (IFRS),
- English language reports (current and periodic) submitted simultaneously with the Romanian version,
- events for investors and analysts (conference calls, meetings) organized on a quarterly basis.

Launched in September 2014, BET-TR is the first Romanian total return index, measuring both price changes and dividends distributed by constituents. BET-TR has the same composition as the reference index BET and selection of components is made similarly to BET. Starting January 1st, 2015, the above-mentioned reporting and IR criteria for BET will apply to BET-TR as well.

Launched in June 2014, BET Plus is a broader market index designed to track the companies that meet minimum investibility criteria of free float value and liquidity. At the end of 2014, the index included 40 companies that accounted for 92% of the domestic market capitalization.

New types of structured products. BVB has supported issuers of structured products to increase their range of products and underlying assets for their certificates. The novelty in this area were the first capital protection certificates, issued by SSIF Broker, which are financial instruments suitable for investors looking for investment opportunities with a higher degree of security, as they have a partial/total capital protection component. The first issue started trading on September 1, with adidas shares as underlying assets, followed by other two certificates on McDonald's and Royal Dutch Shell shares. Since their launch, these products generated trades worth of almost RON 3 mn.

New government securities for retail. A widely supported project of BVB, together with the Ministry of Public Finance, is the launch of new government securities designated for retail investors. Seen as an access gate to stock exchange investing, steps have been made to set up the framework to accommodate a market for such government securities. The nominal value was agreed with the Ministry at a far more accessible level than existing issues, at RON 1,000, and an encouraging schedule of fees was also designed. Neither the buyers nor the sellers would pay fees for primary market operations. Trading fees applied to the transactions for the secondary market of government securities designated to retail investors will

be RON 1/transaction, both for the buyers and the sellers. In addition, intermediaries acting as Market Makers will have a trading fee of RON 0.5/transaction, as a stimulus for bringing more liquidity to this market.

5. Improvement of the Corporate Governance framework

New *Corporate Governance Code*. BVB continued its efforts towards promoting better corporate governance for participants to the capital market, the main direction being the review of the existing *Corporate Governance Code*, in a joint project with the European Bank of Reconstruction and Development (EBRD).

As a reminder, the project was effectively started in mid-2013, when the consortium led by Nestor Advisors Ltd, in partnership with NNDKP Romania and Concept SRL had been selected as advisor for the joint BVB-EBRD project on "Review and Implementation of the Romanian *Corporate Governance Code*". The objective of this project is to enhance key corporate governance practices of listed companies and their disclosure, by improving the recommendations of the *Corporate Governance Code*, and to strengthen its monitoring and implementation.

During 2014, EBRD and BVB reviewed the corporate governance practices of listed companies, including the compliance statements and BVB's monitoring procedures. Consequently, the existing *Corporate Governance Code* in force since 2008 was redesigned taking into consideration the international standards and practices in this area, the changes of incident legal frameworks in Romania and EU, the experience gained from the implementation of the first Code and also the new aspirations of the society, in general, and of the parties directly covered by responsibilities and management of business. The new Code includes a set of principles and recommendations based on best practices, transparency and trust.

Among others, the new Code includes a policy regarding the forecasts provided by listed companies, because the forecasts have the potential of generating positive effects, but also risks if they are given or published in a too loose manner. The quality of the corporate governance is one of the factors that influence investors' decisions when investing in a company.

The new Code also benefited from the views of members of the BVB Corporate Governance Advisory Board, personalities acting on the international and local market, who by their experience have made an important contribution to the development of Romanian capital market. The members of the BVB Corporate Governance Advisory Board are Gian Piero Cigna (Corporate Governance Specialist EBRD), Mariana Gheorghe (President of the Management Board, OMV Petrom), Steven Van Groningen (President of the Management Board, Raiffeisen Bank), Narcisa Oprea (Partner, Schoenner), Grzegorz Konieczny (Head Legal Representative & Portfolio Manager, Fondul Proprietatea) and Ludwik Sobolewski (BVB CEO).

On December 22, 2014, BVB announced the initiation of consultations on the new *Corporate Governance Code* with listed companies and relevant organizations representing investors.

In a restrained form, a set of corporate governance principles for AeRO listed companies became effective on February 25, 2015, together with the launch of the AeRO market for equities. This comes as a supporting tool for the AeRO issuers on the side of post-listing transparency and reporting requirements, but, most of it, as a great tool to increase their investibility.

The amendments brought to BVB's Rulebook approved by FSA in November also involved a number of provisions relating to the new *Corporate Governance Code*. Thus, all listed issuers are encouraged to comply with the new Code. Following the entry into force of the new Rulebook, the issuers must submit to BVB a current report whenever they are in a situation not to comply with one or more provisions of the *Corporate Governance Code*. The issuer shall include in the Annual Report a statement regarding their compliance with BVB's *Corporate Governance Code*.

BVB will conduct analyses on the issuer's compliance status and the results can be made public. For those issuers that comply with the Code, BVB may adopt measures to reward them, such as: reducing maintenance fees, including the issuers in a dedicated index, awards, promotion of the issuers during some events or publications etc.

Changes to BVB's Rulebook regarding the corporate governance provisions will come into force on a date determined by BVB's CEO, following the approval of the new *Corporate Governance Code*.

New eligibility criteria for BET and BET-TR. The introduction of the new eligibility criteria regarding transparency and IR oriented services as of January 2015 for companies included in BET and BET-TR indices is also part of BVB's efforts to improve the corporate governance climate for the local market.

Preparation of companies prior to listing. Via its Corporate Governance Institute, BVB offered consultancy services for Electrica in preparation for privatization & listing. 130 representatives from the top and middle management participated to

presentations and discussions on various areas including corporate governance, best practices in investor relations, communication and so on.

Events on various areas of interest. On October 23, 2014, BVB organized together with Schoenherr an event aimed at bringing clarifications to the new FSA Regulation no. 13/2014 referring to various corporate issues such as dividend payments, organizing shareholders' meetings, representation and voting in shareholders' meetings, public offers, admission to trading and shareholders' withdrawal. Discussions also revolved around the proposed amendments to Directive 2007/36/EC as regards the encouragement of long-term shareholder engagement and Directive 2013/34/EU as regards certain elements of the corporate governance statement, referring to the boards and executives remuneration policy and related party transactions. More than 80 people attended the event, representing the financial, investor relations, communication departments of more than 45 listed companies.

Another key event in the area of corporate governance took place on November 24, 2014. The conference „From Rasdaq towards the future" was organized by BVB together with PeliFilip law firm, presenting to companies from the Rasdaq and Unlisted markets their listing options following the entry into force of Law no. 151/2014 on the clarification of the legal status of the shares traded on Rasdaq Market or on the unlisted securities market. In the new context brought about by the Law 151/2014, companies from Rasdaq and unlisted markets should decide if they move on a regulated market or on an ATS. The intention of BVB and PeliFilip was to support these companies, by presenting them in detail the new legal framework, the options and opportunities created, as well as the technical issues related to the listing process. Participants were also presented the requirements applicable to companies listed on BVB's Regulated Market and AeRO, BVB's alternative trading system for start-ups and SMEs. More than 200 representatives of almost 140 issuers and BVB members participated to the event.

BVB's General Shareholders' Meeting of April 2014 approved the 2013 profit sharing scheme for BVB's Board members, calculated as 2 monthly payments. The amount would be offered on condition that BVB shares would be acquired within 3 months from the shareholders' approval and that the acquired shares would be held for minimum 2 years since acquisition.

6. Increase of visibility

Marketing at national and international level. In 2014, BVB's activities towards promotion, nationwide and abroad, included communication of corporate identity, promotion of the company's projects and services.

With regard to communication, BVB issued 165 press releases during the year, covering the status or launch of BVB projects and activities, resolutions of BVB's Board and of the Special Committees, the start of trading for new financial instruments, the availability of financial reports and BVB's corporate communications. An integrated communication campaign, for informing on and promoting the public offer of Electrica, ran for two weeks during June. Campaigns were employed online, offline, outdoor, via official openings of trading session or other events. Dedicated online campaigns ran also for the launch of BVB's mobile apps and for the two editions of BVB Invest Quest.

In the promotion area, BVB partnered in several events, mainly focused on capital markets and SMEs financing, organized among others by Ziarul Financiar, wall-street.ro, International Business Promotion and Business Days. Also, BVB organized, under its own brand, events for shares and bonds financing via the stock exchange and investors' periodical events. In June 2014, the first edition of BVB's Individual Investors Forum was organized. The Forum adopted 10 recommendations aiming to support the development of the capital market. The solutions contained in these recommendations are part of the InvestingRomania program which has as main goal to broaden the investor community in Romania and to bring in larger flows of capital and savings towards the financial instruments available on the markets operated by BVB.

With a view to increasing investors' awareness towards the Romanian capital market, local blue chip companies and companies included in the Government privatization program, BVB organized several Romania Investors Days, institutional investors dedicated events, in partnership with domestic brokers. During 2014, such events took place in London, Vienna, Stegersbach, Prague, cities of Western and Nordic Europe, New York and other cities in the US.

During 2014, BVB created a dialogue with Diaspora's financial professionals. Following the quarterly meetings with Romanian financial investment professionals working in UK, a permanent dialogue was created between BVB professionals and the network in order to promote the Romanian capital market abroad and to design future projects.

For promoting the capital market reform and reclassification to Emerging Markets, BVB established a permanent communication with MSCI, FTSE, STOXX and S&P in order to update them to the current market situation. BVB also consulted the foreign investors' community on Romania and organized a communication platform with international investing

community, supported by EBRD and Bloomberg. The first edition of the event "Romanian Capital Market – Up the Ladder to Emerging Markets" took place in October, during which discussions were around the significant reforms which have been carried out and future plans to unblock procedural bottlenecks, which will ensure greater liquidity and improved access to markets.

The international alliances related activities involved maintaining the relationships and membership status within international organizations: the Federation of European Stock Exchanges, the Federation of Euro-Asian Stock Exchanges and the World Federation of Exchanges.

Educational programs. BVB continued to support the educational projects covering the capital market and its stakeholders. As part of an active CSR, educational programs covered from pupils and students, issuers, potential issuers and potential investors, some of these having already been presented.

For pupils and students, BVB launched in September 2014 its fourth year of "Open Doors Day at BVB", through which BVB and Junior Achievement aim at familiarizing interested young people, high school and university students, with stock exchange mechanisms. During 2014 there were more than 70 "Open Doors Day" events, of which several visits within the "A Different School Week" program, in April. September 2014 also marked the beginning of a new year for studying capital markets as an optional class in high schools and universities, with BVB representatives as speakers for these investment classes.

To grow its future generation of retail investors, in April 2014 BVB launched BVB Invest Quest (BVB IQ), a long term educational initiative to promote the capital market and the services offered by BVB for local investors, to create a strong community of individual investors and to attract household savings in Romanian economy. The program, which featured an educational component and a virtual trading competition, is dedicated to persons interested in the functioning of the capital market and making investments based on good understanding and information. The first edition of BVB IQ took place in April, while the second started in autumn 2014 and closed in January 2015. The educational module included 20 seminars for the first edition, while the second edition featured 23 seminars and 3 webinars. As for the virtual trading competition, it gathered about 1,000 participants in the first session and attracted more than 1,300 people in the second edition.

Active communication with BVB's investors. BVB remained committed to keep investors and stakeholders informed, with a view to increasing awareness of the local market achievements in its road to becoming a modern capital market and a recognized trading venue. BVB organized an annual meeting and 4 quarterly conference calls with analysts and investors, after the release of quarterly results, prepared earnings consensus before each of quarterly results release, attended more than 10 investor conferences and more than 100 one-on-one meetings with global and regional investors.

BVB was also active in electronic communication, via emailing campaigns to more than 130 existing and potential investors, posts on its dedicated LinkedIn profile with more than 430 followers (double in December 2014 compared to June, when BVB's profile was re-launched) and updates on the Facebook page, with more than 2,300 followers.

BVB's shares benefited from increased coverage from analysts, with Wood & Co initiating coverage at the beginning of 2014 and thus joining NBG Securities Romania, Alpha Finance Romania, SSIF Broker and others. Upcoming analyst coverage is expected from Raiffeisen Bank (already materialized in February 2015), Bancpost (coverage in transition), Ipopema Securities and Blue Rock Financial Services, thus pointing towards the increased visibility the company is enjoying in the context of the wide reform which is transforming the local market.

ACTIVITY OF BVB's BOARD OF GOVERNORS IN 2014

The configuration of BVB's Board of Governors was not changed during 2014. All 9 members were elected for 4-year mandates during the Ordinary General Shareholders' Meeting of January 9, 2012, starting with the date of their authorization by the National Securities Commission (NSC) through the Decision no. 107/30.01.2012:

- Mr. Lucian Anghel, President
- Mr. Pompei Lupsan, Vicepresident
- Mr. Dan Paul, Vicepresident
- Mr. Robert Pana, Secretary
- Mr. Stere Farmache, Member
- Ms. Narcisa Oprea, Member
- Mr. Valerian Ionescu, Member
- Mr. Octavian Molnar, Member
- Mr. Matjaz Schroll, Member

In order to carry out their responsibilities set out though the Company's Bylaws, during 2014 the Board of Governors met in 30 meetings, out of which 17 organized exclusively electronically (via email), and made 78 decisions.

ACTIVITY OF BVB's SPECIAL COMMITTEES IN 2014

Since the beginning of 2014 until March 30, 2014, the configuration of BVB's Special Committees was as follows:

	Permanent members	Substitute members
Listing Committee	• Mr. Octavian Molnar – President • Mr. Stere Farmache • Mr. Marin Serban • Mr. Lucian Isac • Mr. Razvan Pasol	• Mr. Valerian Ionescu – President • Mr. Pompei Lupsan • Ms. Alina Ana-Maria Silaghi • Mr. Emilian Dobran • Mr. Daniel Pocorea
Committee for Regulations, Development and New Products	• Mr. Valerian Ionescu – President • Mr. Lucian Anghel • Mr. Antonescu Silviu • Mr. Cernica Tudor Mihai • Ms. Boeriu Daniela Carmen	• Mr. Robert Pana – President • Mr. Dan Paul • Mr. Dragolea Octavian • Mr. Moldovan Darie • Mr. Fulea Lucian Ioan
Appeal Committee	• Ms. Narcisa Oprea – President • Mr. Dan Paul • Mr. Catalin Nae-Serban • Mr. Leonard Visan • Mr. Mario Bulimente	• Mr. Robert Pana – President • Mr. Valerian Ionescu • Ms. Iuliana Musat • Mr. Mihai Muresian • Ms. Rialda Badea

Index Committee	• Mr. Lucian Anghel	BVB's President
	• Mr. Ludwik Sobolewski	BVB's CEO
	• Mr. Dragos Cabat	CFA Association Romania
	• Mr. Bogdan Campianu	Intermediary
	• Mr. Ovidiu Dumitrescu	Intermediary
	• Ms. Anca Olteanu	Secretariat, non-voting member

The composition of all BVB's Special Committees changed starting with March 30, 2014, when BVB's Board decisions on such changes became effective.

Thus, at the end of 2014, BVB's Special Committees had the following composition:

	Permanent members	Substitute members
Listing Committee	• Mr. Octavian Molnar – President	• Mr. Valerian Ionescu – President
	• Mr. Stere Farmache	• Mr. Pompei Lupsan
	• Mr. Marin Serban	• Mr. Razval Pasol
	• Mr. Lucian Isac	• Mr. Nicolae Moroianu
	• Mr. Mircea Stefan Solovastru	• Ms. Viorica Nagy

During 2014, for the Regulated Market the Committee met in 5 sessions and made proposals to the Board with regard to the admission to trading of 2 issues of shares and 3 issues of corporate bonds, and the withdrawal from trading of one company and one bond issue.

For the Alternative Trading System the Listing Committee met in 2 sessions for and made proposals to the Board with regard to the admission to trading of 2 issues of shares.

	Permanent members	Substitute members
Committee for Regulations, Development and New Products	• Mr. Valerian Ionescu – President	• Mr. Robert Pana – President
	• Mr. Lucian Anghel	• Mr. Dan Paul
	• Mr. Cernica Tudor	• Mr. Ionut Stafie
	• Ms. Iuliana Musat	• Mr. Daniel Gavrila
	• Mr. Cristian Micu	• Mr. Fulea Lucian

In 2014, no meetings took place for the Committee for Regulations, Development and New Products.

	Permanent members	Substitute members
Appeal Committee	• Mr. Pompei Lupsan – President	• Mr. Robert Pana – President
	• Mr. Dan Paul	• Mr. Valerian Ionescu
	• Mr. Catalin Nae-Serban	• Mr. Mario Bulimente
	• Mr. Mihai Muresian	• Ms. Cristina Pavel
	• Mr. Octavian Dragolea	• Ms. Elisabeta Corcan

In 2014, there were no meetings of the Appeal Committee.

Index Committee	• Mr. Lucian Anghel	BVB's President
	• Mr. Ludwik Sobolewski	BVB's CEO
	• Mr. Adrian Mitroi	CFA Association Romania
	• Mr. Bogdan Campianu	Intermediary
	• Mr. Ovidiu Dumitrescu	Intermediary
	• Ms. Anca Olteanu	Secretariat, non-voting member

In 2014, the Index Committee met in 4 ordinary meetings for the periodical analysis of the BVB indices' structure and changes, and in one extraordinary meeting for the inclusion of Electrica in several BVB indices.

In addition to the periodical changes to BVB's existing indices, BVB's Index Committee introduced two new indices: BET-TR, the first total return index for the local market, and BET Plus, a broader index meeting minimum investibility criteria of liquidity and free float. The methodologies of these new indices were also approved by BVB's Board of Governors. In addition, the Index Committee decided that starting with June 23, 2014, BET-C would not be calculated anymore.

As mentioned above in this document, the Index Committee also brought its contribution to enhancing the transparency and visibility of indices' components by introducing new eligibility criteria for BET and BET-TR effective in January 2015, which are related also to the qualitative criteria required for the market upgrade to Emerging.

ACTIVITY OF BVB's AUDIT COMMITTEE IN 2014

The Audit Committee started functioning based on the Board decision no. 114/18.08.2011 and complied with the provisions of its own regulations. During 2014, the configuration of the Audit Committee did not change, so its members remained Mr. Stere Farmache, Mr. Dan Paul and Mr. Valerian Ionescu.

The activity of the Audit Committee in 2014 implied: the review of the internal control activity at BVB, the approval of the annual investigation plan for 2014, organizing the selection process for the internal audit company at BVB's level, discussions of the internal audit report for 2013 and the internal audit plan for the year 2014.

The Audit Committee assisted the Board of Governors in carrying out of its responsibilities with regard to internal control and financial audit, addressing recommendations with regard to BVB's strategy and policy. The members of the Committee analyzed the observations made by BVB's management over the topics discussed and made comments and recommendations over the auditors' observations included in audit reports.

BVB's OPERATING ACTIVITY[2]

[3] Source: BVB. The traded value is presented based on a "single counted" basis, includes Deal trades and excludes public offers

Comments and explanations of amounts reported in the annual financial statements

The individual financial statements for the financial year ended on December 31, 2014 were prepared according to the Regulation no. 4/2011 on the Accounting Regulations in Compliance with the Directive IV of the European Economic Communities applicable for entities authorized, regulated and monitored by the NSC, approved by the NSC Order no. 13/2011, and according to the accounting policies described in the notes to the individual financial statements. The financial results as of December 31, 2014 were taken from the standalone financial statements for the financial year ended as of December 31, 2014, prepared according with the NSC Order no. 13/2011. All amounts are denominated in million RON and rounded off to the nearest integer, resulting in small reconciliation differences.

ANALYSIS OF 2014 FINANCIAL RESULTS

BVB ended 2014 with **trading revenues** of RON 23.13 mn, up by 9% compared to the previous year. The main growth driver was the intense trading activity, much improved compared to the previous year.

Trading values on all BVB's markets including public offers increased by 6.6% y-o-y in 2014 to RON 14.4 bn, while trading on the regulated stock market went up by 15.2% to approximately RON 13 bn (including public offers). The average daily turnover for the regulated stock market excluding public offers increased at a 22% growth rate to RON 38.9 mn (EUR 8.76 mn).

In the area of public offers, the most significant deal of the year and also in BVB's history was the EUR 444 mn IPO for Electrica, which also became one of the largest IPOs in Europe for the year. Other major deals, which contributed not only to the trading activity's upturn but also to BVB's revenues, were the buy-back program performed by Fondul Proprietatea during the last quarter of the year (when buy-backs were accelerated through a public tender offer launched by FP for its own shares), the private placements of Romgaz shares (~EUR 100 mn) and Transelectrica shares (~EUR 50 mn), as well as two issues of corporate bonds sold via BVB by Raiffeisen Bank and Garanti Bank, cumulating RON 800 mn.

Almost all categories of operating revenues registered increases compared to the previous year. During 2014, BVB accepted a new member (Polish brokerage company Ipopema) and made steps to acquire another participant to the trading system, which sent revenues from participant fees up more than 3 times, to RON 0.29 mn. Furthermore, listings of new companies since November 2013 increased fees registered for maintenance to trading, while admission fees for newcomers (such as Electrica) and the new schedule of fees paid by issuers of structured products resulted in additional revenues.

The IT development area generated revenues from in-house developed upgrades to the trading system, BVB's website or other IT projects that translated into new intangible assets worth of RON 0.66 mn. In addition, revenues generated by the separation of the trading environment from the post-trading system sent revenues from IT services offered up to RON 0.77 mn for the full year, double in y-o-y terms.

Indicator (thousand RON)	2014	2013	Change 2014 vs 2013	Budget 2014	2014 actual as % of 2014 budget
Operating revenues, out of which:	27.88	24.41	14.2%	25.15	110.9%
Net sales	26.87	24.29	10.6%	25.04	107.3%
Operating expenses, out of which:	16.75	16.28	2.9%	16.18	103.5%
- Personnel expenses*	8.87	9.12	-2.7%	8.30	106.9%
Operating result	11.13	8.13	36.9%	8.96	124.2%
Financial result	3.02	2.90	4.2%	2.69	112.2%
Pre-tax result	14.15	11.03	28.3%	11.66	121.4%
Net result	11.90	9.48	25.4%	9.95	119.5%
Earnings per share (RON)	1.55	1.24	25.4%	1.30	119.5%

* The amounts includes the contributions related to BVB's Board and Special Committee remunerations, excludes pre-tax remunerations of the Board and Special Committees

Al in all, **operating revenues** reached RON 27.88 mn, up by 14.2% compared to the previous year and 10.9% above the budgeted figure for 2014.

On the cost side, **operating expenses** increased by 2.9% y-o-y to RON 16.75 mn, by 3.5% above the projected figure for the full year.

As a reminder, 2013 expenses included a non-recurring reversal of provision for the land (a revenue of RON 1.02 mn) which if it were not accounted for in the calculation would turn the above-mentioned 2.9% increase turn into a 3.2% y-o-y decline. Letting the provision revenue aside, depreciation charges increased by 12.6% y-o-y to RON 0.77 mn, determined by investments over the past year.

Personnel expenses were lower compared to the year ago amount, at RON 8.87 mn, while other expenses included in the third-party services costs (such as costs with consultancy and legal services, AGM costs) were also on a downward trend, partially offsetting the increases in marketing expenses or functioning and administrative expenses.

As a result, the **operating profit** ended at RON 11.13 mn, a significant 36.9% above the figure reported for 2013 and by 24.2% above the almost RON 9 mn included in the budget.

The **financial profit** increased by 4.2% y-o-y to RON 3.02 mn, despite the fact that subsidiaries (i.e. the Central Depository) paid no dividends in 2014 from the 2013 profit, the RON 0.38 mn amortization of costs related to the acquisition of government securities and the adjustment registered in December 2014 for BCH, amounting to RON 0.69 mn. As interest rates declined significantly over the past year, BVB's revenues from investments registered a 3.2% y-o-y decline to RON 2.68 mn. Furthermore, the depreciation of the USD versus the local currency by more than 13%, while the RON/EUR rate remained stable, resulted in net unrealized revenues of RON 1.32 mn from the revaluation of foreign currency-denominated investments, compared to the net cost of RON 0.14 mn registered in 2013.

The **net profit** marked a 25.4% year-on-year increase to RON 11.90 mn in 2014, which was well above the full-year estimate. The net margin for the analyzed period was 44.3%, 5.2 percentage points above 2013.

ANALYSIS OF THE FINANCIAL POSITION

Cash flow statement

In 2014, BVB generated positive cash flows from operating activities of RON 5.95 mn, lower by 19.7% compared to the previous year.

During the year, BVB continued to redirect cash & equivalents to long-term government securities with a higher yield than shorter-term investments (deposits with maturities above 3 months), with little impact on cash flows, while interest cashed in from BVB's investments were the main driver of cash flows from investment activities, i.e. a positive RON 1.73 mn.

The cash outflows related to the financial activity amounted to RON 8.93 mn, representing the dividends paid to BVB's shareholders from 2013 and previous years' net profits.

At the end of 2014, a total net decline of the cash and cash equivalents (bank deposits with the maturity term under 3 months) was registered to RON 1.25 mn.

Net assets

At the end of December 2014, BVB's **total assets** were RON 106.48 mn, up 2% compared to the figure reported at the beginning of the year.

Non-current assets increased by 15.4% or RON 9.46 mn since the beginning of the year. The net value of intangible assets increased to RON 1.04 mn, mostly determined by the in-house development of new intangible assets related to IT projects (BVB's website, Arena upgrades) and acquisition of new software. Non-current financial assets reached RON 65.31 mn, the consistent increase versus the beginning of the year being attributable to acquisitions of long-term government bonds in RON and EUR.

Current assets declined to RON 35.37 mn at the end of the reporting period, down 17.2% since the beginning of the year, as BVB gradually turned to investments in longer-term government bonds rather than shorter term deposits, aiming at

limiting the adverse effects of the declining interest rate environment. Such actions were also the main cause of the **cash and short term investments** decline, which was also attributable to the payment of dividends of RON 9 mn to BVB's shareholders, from 2013 and previous years' net profits.

BVB's **debt** at the end of December 2014, due in less than 1 year, amounted to RON 4.63 mn, 16.4% lower compared to the beginning of the year. The amount included liabilities to BVB's shareholders' (dividends payable), accrued liabilities to the company's management and employees, liabilities to the state budget and the social security budget, not due at the end of the analyzed period.

Shareholders' equity increased by 3% y-o-y to RON 100.68 mn, due to the registration of the full-year profit.

Assets (RON mn)	31.12.2014	01.01.2014	Equity & Liabilities (RON mn)	31.12.2014	01.01.2014
Non-current assets	70.98	61.52	Shareholders' equity	100.68	97.82
Current assets – total, of which:	35.37	42.70	Payables, all due in less than 1 year	4.63	5.54
- cash, bank accounts and other short term financial investments	27.97	37.45			
Prepaid expenses	0.13	0.18	Provisions	0.48	0.37
			Deferred revenues	0.69	0.66
Total assets	**106.48**	**104.39**	Total equity & liabilities	**106.48**	**104.39**

FINANCIAL AND PERFORMANCE INDICATORS

Indicator		Formula	2013	2014
Liquidity indicators	Current ratio	Current assets/Current liabilities	7.71 times	7.63 times
	Acid test ratio	(Current assets-Inventories)/ Current liabilities	7.71 times	7.63 times
	Debt-to-equity ratio	(Borrowed capital/Equity)*100	BVB has no borrowings	BVB has no borrowings
Activity indicators	Accounts receivables turnover	(Average receivables balance/ Turnover)*365 days	27.65 days	54.81 days
	Accounts payables turnover	(Average supplier balance/ Turnover)*365 days	7.60 days	10.72 days
	Non-current asset turnover	Net turnover/Non-current assets	0.39 times	0.38 times
	Asset turnover	Net turnover/Total assets	0.23 times	0.25 times
Profitability indicators	Net profit margin	Net profit/Turnover *100	39.05%	44.27%
	Return on equity (ROE)	Net result/Equity *100	9.70%	11.82%
	Return on assets (ROA)	Net result/Total assets *100	9.09%	11.17%
	Return on employed capital	Pre-tax result/Employed capital*100%	11.28%	14.05%
Market Indicators	Earnings per share (EPS)	Net result/Number of shares	RON 1.24 / share	RON 1.55 / share
	Market capitalization	Market price * Number of shares	RON 249,411,435	RON 260,692,506
	Book value per share	Equity/Number of shares	RON 12.75 / share	RON 13.12 / share

OTHER INFORMATION REGARDING THE COMPANY's ACTIVITY

a) Events subsequent to the balance sheet date

During the meeting as of March 23, 2015, the Board of Governors decided to call for an Ordinary General Shareholders' Meeting for April 27/28, 2015, with the following agenda:

1. Presentation, discussion and approval of annual individual financial statements of the Company as of December 31, 2014, based on the Report of Administrators and the Report of the Financial Auditor of the Company, prepared for the financial year of 2014;

2. Approval of the distribution of the Company's profit achieved in 2014, amounting to RON 11,896,005 as follows: the disbursement of RON 707,481 to legal reserves and the distribution of RON 11,188,524 as dividends. Approval of a gross dividend per share of RON 1.4579;

3. Approval of the discharge from liabilities of the Company's administrators for their activity carried out during the financial year 2014, based on the presented reports;

4. a) Approval of the allowances for the Company's administrators for 2015,

   b) Approval of the recompensation of the Company's administrators for 2014;

5. Presentation, discussion and approval of Revenues and Expenditures Budget and Business Plan for 2015;

6. Approval of June 5, 2015 as Registration Date according to art. 238 (1) of the Law no. 297/2004 regarding the capital market, as amended and supplemented;

7. Approval of June 4, 2015 as the Ex-Date namely the date prior to the registration date on which the financial instruments which make up the object of the company's resolutions are traded without the rights derived from the resolution, in compliance with the provisions of art. 2, letter f) from the Regulation no. 6/2009 regarding the exercising of certain rights of the shareholders within the general meetings of companies modified and amended by the Regulation no.13/2014 for the modification and amendment of certain regulations issued by the Romanian National Securities Commission;

8. Approval of June 9, 2015 as the Payment Date.

9. Empowering the Chief Executive Officer of the Company, Mr. Ludwik Sobolewski, with the right to delegate the powers, to: (i) execute and/or sign, on behalf of the Company and/or of the Company's shareholders: the resolutions of the present Ordinary General Meeting of Shareholders, any and all the decisions, documents, applications, forms and requests adopted/prepared in order to or for the execution of the resolutions of the present Ordinary General Meeting of Shareholders, in relation with any natural or legal person, private or public, and to (ii) fulfill all the legal formalities for registration, publicity, opposability, execution and publishing of these resolutions.

In December 2014, the Romanian Government adopted the Emergency Ordinance no. 90/2014 amending and supplementing the Law no. 297/2004 on capital markets, which changed the existing provisions related to the ownership threshold and quorum requirements for market operators. The new provisions stated that the new ownership threshold was increased to 20% (compared to 5% previously), and in addition the quorum requirements for extraordinary general shareholders meetings were brought to similar levels as stipulated by the Company Law no. 31/1990, i.e. 1/4 for the voting rights for the first meeting and 1/5 for the second meeting.

The Emergency Ordinance entered into force on January 9, 2015 and on the same date BVB's Board decided to amend the Company's Bylaws in order to align it to the provisions of art. 129 and art. 286^3 of the Law no. 297/2014, as amended and supplemented by EO no. 90/2014. In March 16, 2015, BVB's Board agreed to submit again these Bylaws changes to FSA for their approval, as follows:

- in the first stage, changes regarding the alignment of the Bylaws to the provisions of art. 129;
- in the second stage, after the clarification of the provisions regarding the quorum requirements (according to art. 286^3) and the publication of the law approving EO no. 90/2014, changes regarding the alignment of the Bylaws to the new quorum provisions will be also submitted to FSA.

No other events subsequent to the report date, whose omission might affect the users' capacity to make evaluations and to take correct decisions, occurred.

b) About the company's likely future development

BVB is set to continue with reforming the local capital markets, which represents its medium-term strategic objective. With this aim, BVB will intensify its efforts to promote the accomplishments and investment opportunities to local and international investors. Events will be organized both locally and abroad with a view to increasing the number of meetings with existing investors and approaching new ones.

BVB has already announced and/or started implementing new market features and mechanisms, to drive trading activity higher and to improve transparency and visibility, some of these being listed below.

The new auction trading model is already in place since February 2015, aimed at supporting the liquidity for more thinly-traded issuers. The liquidity issue will also be addressed by the implementation of the Issuer's market maker.

On February 25, 2015, BVB launched its redesigned AeRO market for equities, which apart from supporting start-ups and SMEs in their quest for financing, will have the role of preparing those companies that intend to transfer to the Regulated Market.

În the area of visibility and corporate governance, on January 1, 2015, the new market segmentation and the new eligibility criteria for BET constituents entered into force, and the new *Corporate Governance Code* will be implemented as soon as it is finalized.

In addition to all the above, the efficient communication with the investor community, local and international, will remain key for bringing the Romanian capital market back to investors' radars.

c) Research, development and infrastructure activities

During the year, several software upgrades of Arena system were performed, referring to the implementation of the Trading at Last session, described in an earlier section of this document, the separation of trading from the post-trading environment, which resulted in two separate central systems, the introduction of new order types and validity terms, elimination of the Odd Lot market and so on.

Among these, the separation of the trading system from post-trading, one of the major infrastructure projects of the local capital market, was effectively implemented on October 6, 2014, after the FSA's previous approval of the necessary changes to BVB's Rulebook. This technical development, along with the migration to the T+2 settlement cycle which was implemented on the same day, represented far-reaching steps towards a modern and fully fledged capital market infrastructure. Complementary to the regulatory reforms for the removal of the Eight Barriers, these changes brought the local market closer to meeting the qualitative requirements considered for the potential upgrade to Emerging Markets status.

BVB continued to adapt to increasing demand for information availability via mobile devices and in March 2014 launched its mobile app, followed after a few months by the tablet app. Both applications offer access to market-related information such as market activity, investor news, indices, prices for listed securities, data and indicators of listed companies, company news, list of exchange members.

The launch of a new website, developed in-house, marked another milestone in BVB's efforts to increase visibility. The website introduced high performance technology, new navigation tools and easier access to information, dedicated pages for attracting issuers and investors, a powerful tool to search for price/instruments, enhanced financial instruments profiles, modern social network connectors and so on.

d) Information regarding acquisitions of the Company's own shares

Not applicable.

e) Existence of branches, subsidiaries, related party of the entity

As of 31 December 2014, Bursa de Valori Bucuresti SA owned several holdings in other companies' share capital, as follows:

- Equity investments in the share capital of Depozitarul Central SA (DC), Bucharest, 34-36 Carol I Blvd., district 2, amounting to RON 22,656,932, which represent 69.04% of the share capital of DC; as of 31 December 2014, the

company had shareholders' equity amounting to RON 31,191,771 and an accounting profit of RON 2,020,988, according to unaudited preliminary financial statements;

- Equity investments in the share capital of Casa de Compensare Bucuresti SA (CCB), 34-36, Carol I Blvd., district 2, Bucharest, amounting to RON 3,651,494 (52.5080% of the share capital of CCB); as of 31 December 2014, the company had shareholders' equity amounting to RON 4,980,052 and an accounting loss of RON 382,155, according to unaudited preliminary financial statements;
- Contribution to the initial patrimony of the Institutul de Guvernanta Corporativa al BVB Foundation, 34-36, Carol I Blvd., district 2, Bucharest, amounting to RON 50,000 (100%); as of 31 December 2014 the foundation had equity amounting to RON 15,740 and an accounting loss of RON 15,622, according to unaudited preliminary financial statements;
- Equity investments in the share capital of Fondul de Compensare a Investitorilor SA, Bucharest, 34-36, Carol I Blvd., district 2, Bucharest, amounting to RON 215,040 (62.31%); as of 31 December 2014 the company had equity amounting to RON 19,857,027 and an accounting profit of RON 132,033, according to unaudited preliminary financial statements.

The Company has no branches.

f) The use of financial instruments

Financial risk management. The Company's activities expose it to various risks which include market risk, currency risk, liquidity risk and interest rate risk on cash flows. The management aims at reducing the potential adverse effects associated with these risk factors upon the Company's financial performance.

Market risk. Market risk is the risk that changes in market prices, such as the foreign exchange rate, interest rate and price of equity instruments, to affect the Company's revenues or the value of the financial instruments held.

The objective of the market risk management is to manage and control exposures to market risk in acceptable parameters and at the same time to optimize the return on investment.

The company is exposed to the market risk through its cash denominated in foreign currencies and through investments in bank deposits and treasury certificates. However, based on the analysis of the net assets and sensitivities to changes EUR and USD exchange rates, BVB management does not expect significant losses.

Foreign exchange rate risk. The company operates in a developing economy, with fluctuant exchange rates, which may lead to value losses for assets denominated in foreign currencies.

Credit risk. The financial assets that lead to potential concentrations of credit risk mainly relate to receivables from the core activity. Receivables are presented at their net value, after the provision for doubtful receivables. The credit risk is limited due to a low number of clients from the Company's portfolio of clients. Thus, management considers that the company has no significant concentration of credit risk.

Liquidity risk. A wise liquidity risk management implies keeping enough cash to cover working capital needs to run the business. The Company's cash & equivalents policy is to maintain sufficient resources in order to fulfill its obligations as they become due.

Interest rate risk on cash flows. Not applicable.

The Company has implemented procedures and internal control systems seeking compliance with legal regulations, rules and internal regulations.

We undertake responsibility for the accurate presentation of the financial statements comprised in this report, information which can be found in the annual financial statements released by Bursa de Valori București SA which we manage.

This report was drawn up according to the requirements of the Regulation no 4/2011 on the Accounting Regulations in compliance with Directive IV of the European Economic Communities applicable for authorized entities, as regulated and monitored by the National Securities Commission, approved by Order of the National Securities Commission no. 13/2011 and will be submitted along with the financial statements.

President,
Lucian Claudiu Anghel

General Manager,
Ludwik Sobolewski

Financial Manager,
Virgil Adrian Stroia