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## 3Q 2018 FINANCIAL RESULTS

November 14, 2018



## Key market events during 3Q 2018

July 5




The value of TeraPlast Group has trebled after 10 years of trading on Bucharest Stock Exchange. The anniversary was marked by an official opening of the trading session.

July 6



First bond issue of Banca Transilvania, of EUR 285 mn, started trading on Bucharest Stock Exchange.

July 9




Starting with June 21, listed companies must follow new rules, part of the new ASF regulation no 5/2018. BVB and Schoenherr organized a workshop dedicated to listed companies to explain and discuss over it.

July 18




BVB and the Association of the Funds Managers organized a new meeting with journalists and investors to discuss the financial results registered by fund managers in 2Q.

August 1



Almost 300 people participated in the Made in Romania Entrepreneurship Forum organized on August 1, by Bucharest Stock Exchange and its partners.

August 9




Bucharest Stock Exchange increased the number of companies that can be included in BET and BET-TR indices from 15 to a maximum of 20.

September 6-7



Wood & Company and Fondul Proprietatea organized the sixth edition of Frontier Investor Days in Bucharest. It is the annual investors event, heavily attended by Frontier-focused buy-side institutions.

September 11




The Romanian capital market indices (BET and BET-TR) outperformed MSCI indices for Emerging Markets and Frontier Markets in the first 8 months.

September 12




Bittnet and Globalworth, two companies with strong visibility and activity on the Bucharest Stock Exchange, received international recognition at the 4<sup>th</sup> edition of the CEE Capital Markets Awards held on September 12 in Warsaw.

September 13




BVB organized the first dedicated Romania investors' day in Warsaw, together with PKO BP Securities, where nine Romanian companies presented their investment opportunities to international investors.

September 18



Financial literacy seminar "Fluent in Finance" took place in Timisoara, where discussed on how to invest on the stock market and become an investor.

September 24



Romania was maintained on Emerging Market Watchlist by FTSE Russell and is one liquidity notch closer to becoming Emerging Market.

September 26



Blue chips listed on the Bucharest Stock Exchange discussed investment opportunities with the Croatian and Slovenian institutional investors during Romania Day in Zagreb conference, organized by BVB and InterCapital Croatia.

# BVB Group and the operated markets

## Markets operated by BVB



### Main Market

**Listed companies:**  
84 domestic and 3 foreign\*

**Domestic market cap:**  
EUR 20.35 bn

**Total market cap:**  
EUR 36.1 bn

**Instruments:**  
shares, rights, corporate and municipal bonds, government securities, structured products, fund units, tradable UCITS (ETFs), warrants



### AeRO market for SMEs

**Listed companies:**  
296 domestic and 2 foreign\*

**Domestic market cap:**  
EUR 1.42 bn

**Total market cap:**  
EUR 1.51 bn

**Instruments:**  
shares, rights, bonds

### Segments within BVB Group:

- **Trading segment** – Bucharest Stock Exchange
- **Post-trading segment** - Clearing & settlement services of the Central Depository
- **Registry segment** – Registry activities of the Central Depository
- **Other services** – Activities of the Investors Compensation Fund and of the Bucharest Clearing House - its activity is reported as discontinued operation according to IFRS5
- **SIBEX Depository** - was acquired on 29.12.2017 and its activity is reported as discontinued operation according to IFRS5



# Key financial highlights – consolidated

Financial performance, BVB Group (RON mn, unless otherwise stated)

	9M 2018	9M 2017	Change (%)	3Q 2018	3Q 2017	Change (%)
Operating revenues	28.98	29.20	-1%	7.68	8.91	-14%
Operating expenses	<u>21.48</u>	<u>20.88</u>	3%	<u>6.99</u>	<u>6.57</u>	6%
<b>Operating profit</b>	<b>7.50</b>	<b>8.32</b>	<b>-10%</b>	<b>0.69</b>	<b>2.33</b>	<b>-71%</b>
Net financial revenue/(expenses)	2.76	0.45	520%	0.90	0.35	159%
Profit before tax	<u>10.26</u>	<u>8.75</u>	17%	<u>1.59</u>	<u>2.67</u>	-40%
Profit from continuing operations	8.57	-	-	1.35	-	-
Loss from discontinued operations	<u>(0.42)</u>	-	-	<u>(0.19)</u>	-	-
<b>Profit for the period</b>	<b>8.15</b>	<b>7.38</b>	<b>10%</b>	<b>1.16</b>	<b>2.23</b>	<b>-48%</b>
Total comprehensive income	8.15	7.63	7%	1.16	2.29	-50%
EPS attributable to owners (RON/share)	0.9782	0.9000	9%	0.1411	0.2800	-50%

\* The financial results for 9M/3Q 2018 are prepared in accordance with IFRS and are not audited.

Profitability ratios, BVB Group (%)

	9M 2018	9M 2017	3Q 2018	3Q 2017
Operating margin	26%	28%	9%	26%
Net margin	28%	25%	15%	25%
Return on equity (ROE)	7%	7%	1%	2%

\* Indicators based on consolidated financial results

## Key financial highlights – BVB standalone

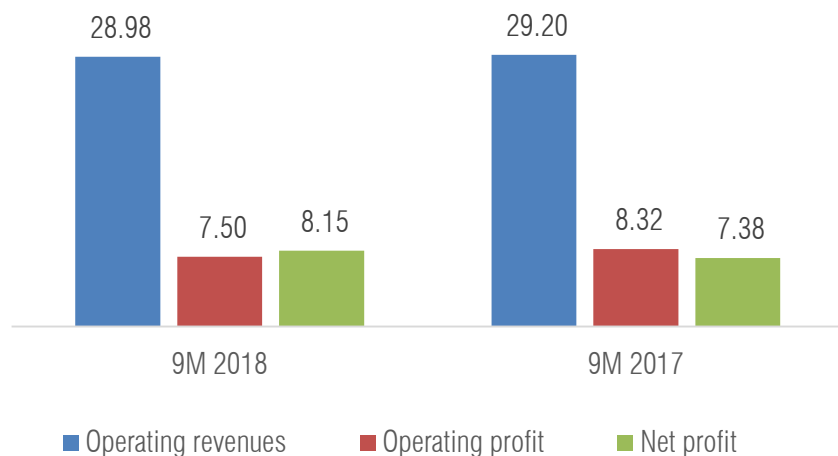
Financial performance of BVB standalone, before consolidation (RON mn, unless otherwise stated)

	9M 2018	9M 2017	Change (%)	3Q 2018	3Q 2017	Change (%)
Operating revenues	17.41	18.55	-6%	4.07	5.40	-25%
Operating expenses	<u>11.20</u>	<u>11.72</u>	-4%	<u>3.57</u>	<u>3.35</u>	+7%
Operating profit	<b>6.21</b>	<b>6.82</b>	<b>-9%</b>	<b>0.50</b>	<b>2.05</b>	<b>-75%</b>
Net financial revenue/(expenses)	3.28	1.48	122%	0.75	0.32	131%
Profit before tax	9.31	8.30	12%	1.24	2.36	-48%
<b>Profit for the period</b>	<b>7.89</b>	<b>7.13</b>	<b>11%</b>	<b>1.03</b>	<b>1.98</b>	<b>-48%</b>

\* The financial results for 9M/3Q 2018 are prepared in accordance with IFRS and are not audited.

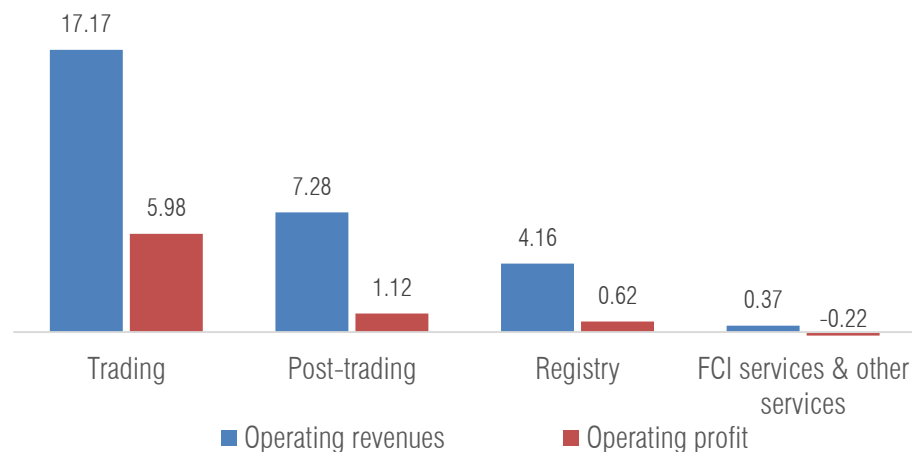
# Analysis of the consolidated results for 9M 2018

Main financial indicators, 9M 2018 vs. 9M 2017  
(RON mn)



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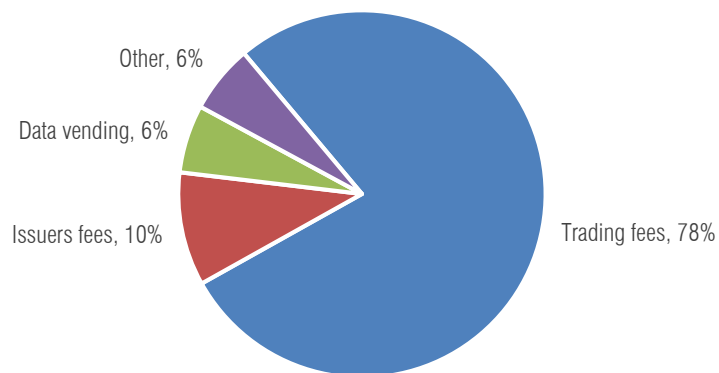
Distribution of operating revenues and result, by segment, 9M 2018 (RON mn)



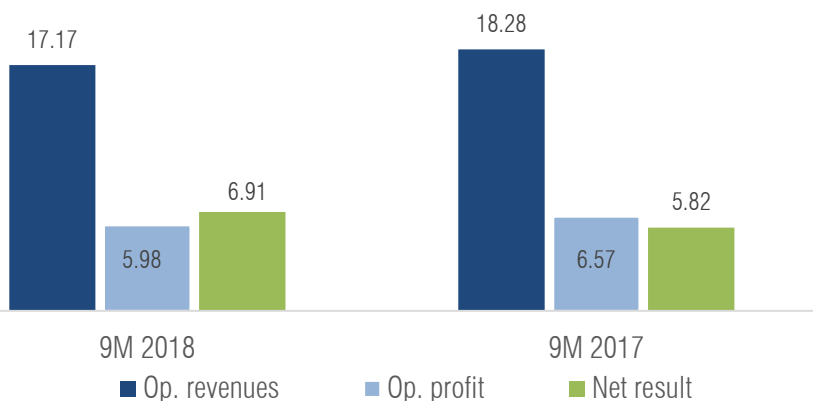
- In the first 9 months of 2018, the BVB Group recorded **operating revenues** of RON 28.98 mn, a decrease of 1% compared to the same period of the previous year, mainly influenced by the evolution of the trading segment.
- The **operating profit** of the BVB Group amounted to RON 7.50 mn, marking a decrease by 10% as a cumulative effect of the decrease of the operational revenues by 1% and the increase of the operational expenditures by 3%.
- The **consolidated net profit** for the first nine months of the year reached RON 8.15 mn (9M 2017: RON 7.38 mn), up by 10% compared with the first nine months of the previous year, with a net margin of 28%, 85% of the net result being generated by the Group's trading segment.

# Analysis of the Group trading segment revenues (1/2)

Breakdown of Group trading segment revenues in 9M 2018 (%)



Operating revenues and profit, Group trading segment (RON mn)



\* The financial results for 9M/3Q 2018 are prepared in accordance with IFRS and are not audited.

## Trading segment revenues

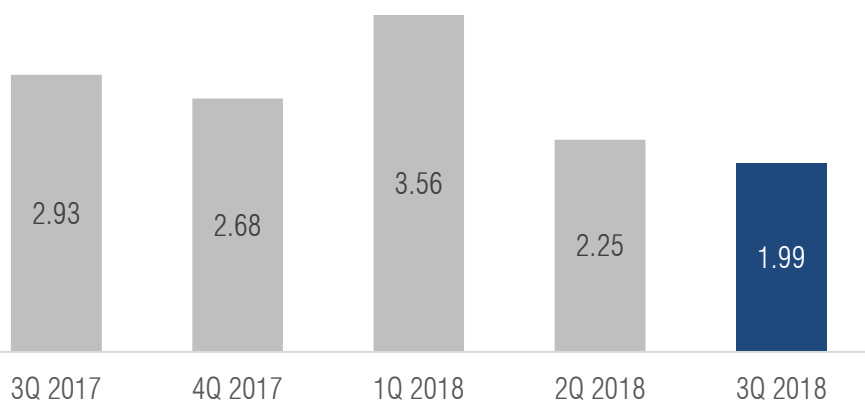
- The **trading activity** on the shares market was lower in the first nine months of the year, down 17% compared with the same period of 2017, to RON 7.80 bn. For the regulated shares market, including offers, the average daily traded value was RON 41.33 mn.
- The fixed-income instruments market (bonds and government securities) in the first nine months of the year grew by 16% compared to the same period last year, up to a value of RON 1.49 bn (9 months 2017: RON 1,29 bn). The first corporate bonds issue of Banca Transilvania (TLV), of EUR 285 mn, started trading on BVB in July.
- The structured products market increased by 27% compared to the first nine months of 2017, up to RON 253 mn (9 months 2017: RON 200 mn).

## Trends in trading activity

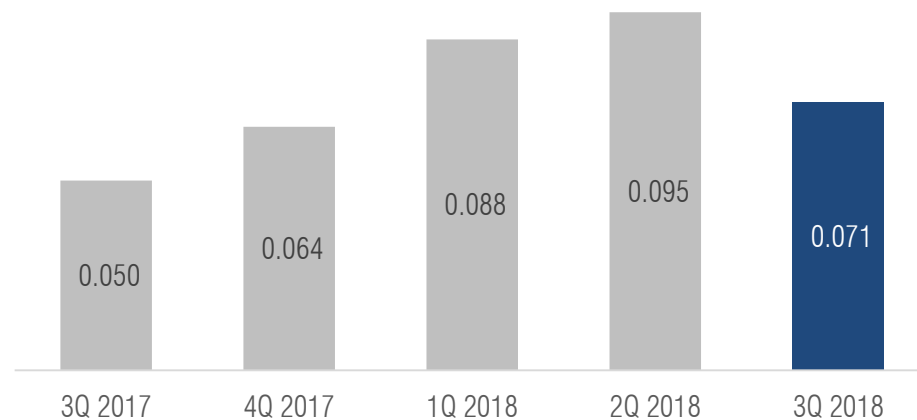
- The capitalization of the Romanian companies was over RON 95 bn at the end of the first nine months, while the capitalization of all listed companies on the regulated market of BVB exceeded RON 168 bn in the last trading session of September.

# Analysis of the Group trading segment revenues (2/2)

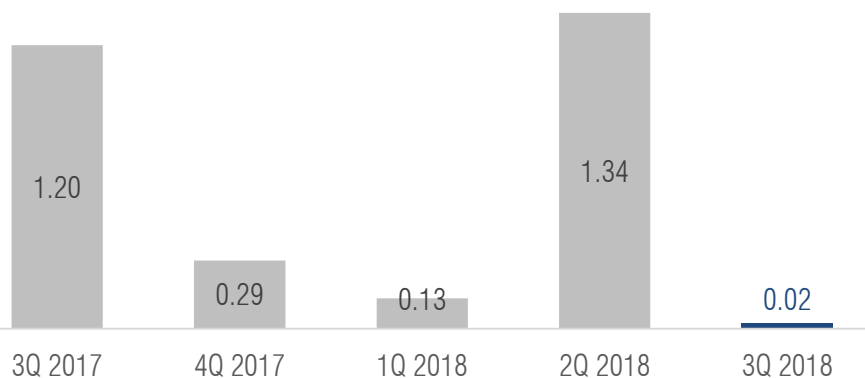
Trading value for shares, rights and units (RON bn)



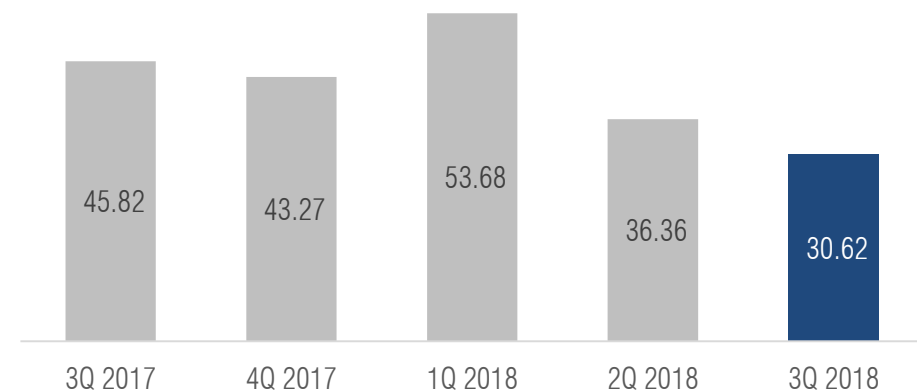
Trading value for certificates (RON bn)



Trading value, fixed-income instruments (RON bn)



Average trading value, shares - regulated market (RON mn/day)

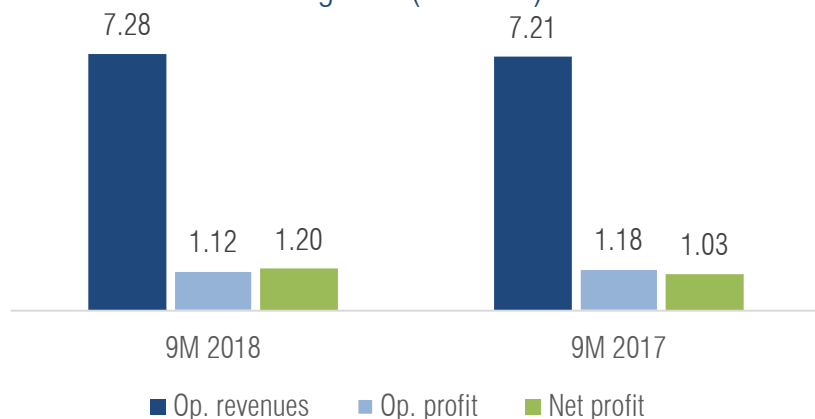


Note: Figures are presented on a "single counted" basis and include Deal trades (for stocks and structured products) and offers. Average trading value on regulated stock market including offers.



# Analysis of the Group post-trading and registry segment revenues

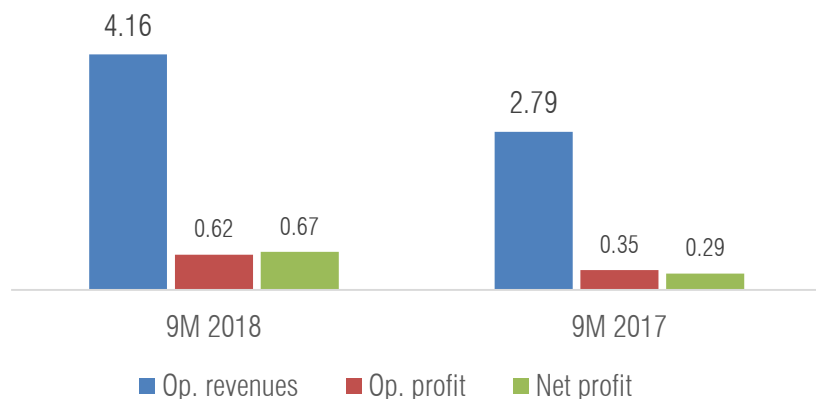
Operating revenues and profit, Group post-trading segment (RON mn)



## Post-trading segment revenues

- Revenues from the **post-trade activity** carried out by the Central Depository (DC), increased by 1% due the increase in revenues from the activity of maintaining the participants in the DC system, an increase which compensated for the decrease of the incomes from the local and cross-border settlement activity.

Operating revenues and profit, Group registry segment (RON mn)



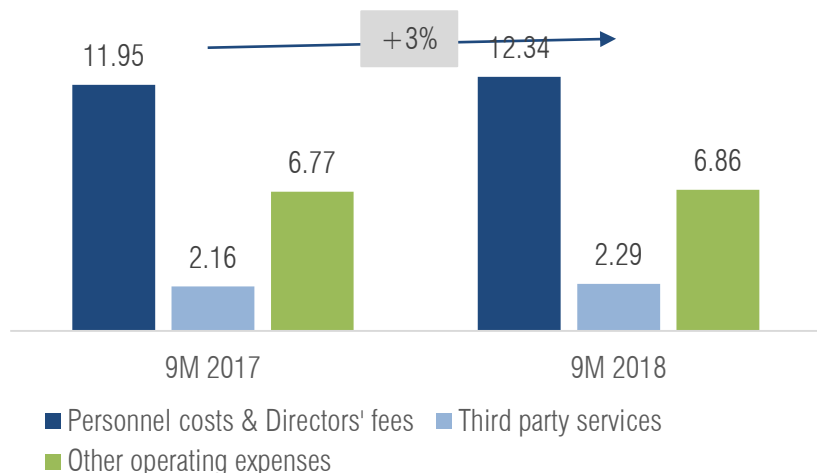
## Registry segment revenues

- Revenues from the **registry activity** carried out by DC increased by 49% compared to the same period of the previous year mainly as a result of the provision of non-regulated services amounting to RON 0.61 mn, such as the purchase offers for the purpose of delisting by some companies for which DC manages the shareholders' register, but also as a result of the increase in revenues from re-invoiced services to clients, which are also found in the expenses of this segment of activity.

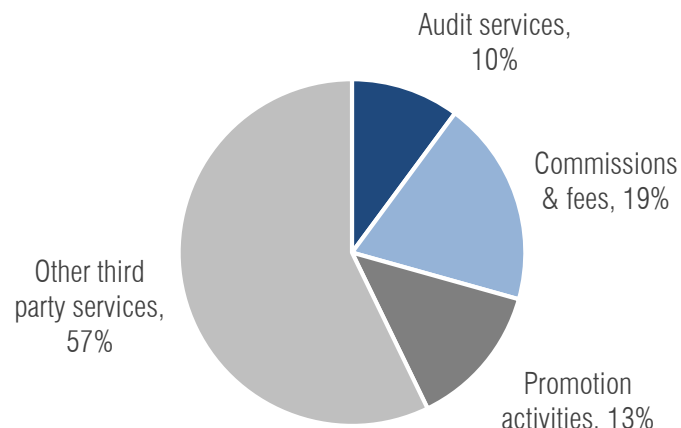
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# Analysis of operating expenses for BVB Group

Breakdown of operating expenses, 9M 2018 vs. 9M 2017 (RON mn)

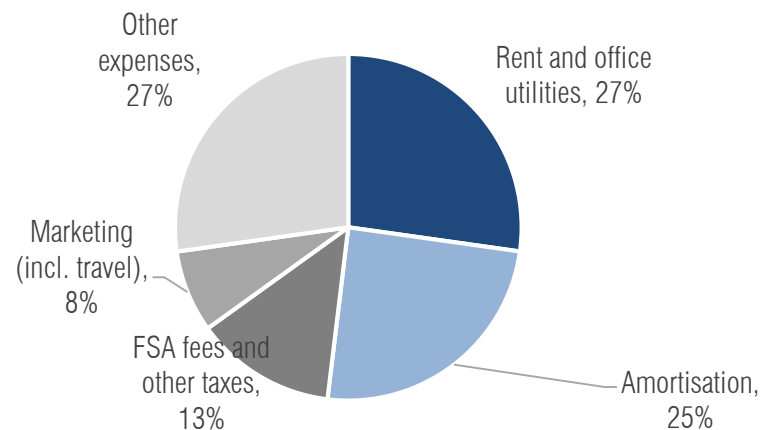


Third party services, 9M 2018 (%)



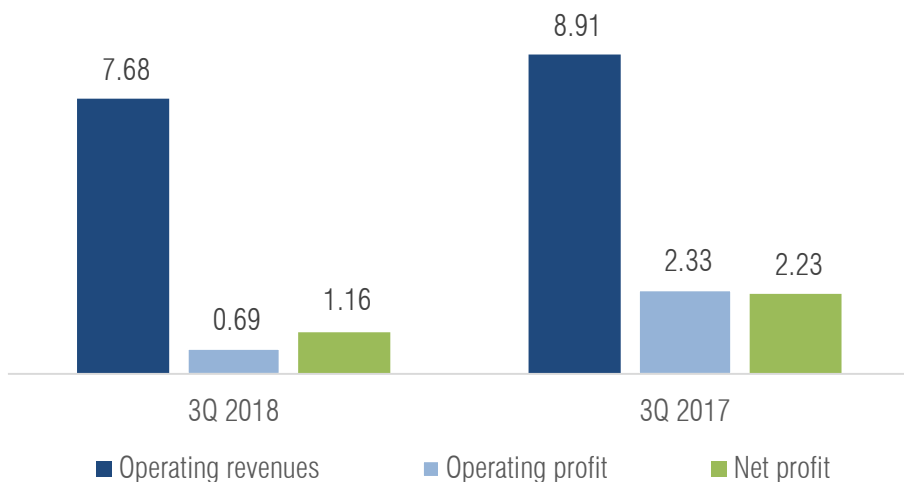
- Group **operating expenses** increased by 3% y-o-y for 9M 2018.
- **Personnel and Board** remuneration expenses increased by 3% during this period, in line with the 2018 budget, mainly as a result of the application, starting 2018, of a new policy of monthly recognition for estimated expenses for benefits granted to Board members, management and employees, mainly in shares, compared with the first 9 months of 2017 when only some of these expenditures were estimated and personnel policy adjustment within the BVB Group.
- **Third party expenses** increased by 6%, mainly as a result of the advance of the expenditures for other services incurred by the Central Depository due to the implementation of legal requirements (i.e. The Central Securities Depository Regulation - CSDR, GDPR, etc.), in line with the budgeted expenses.
- The **Other operating expenses** category increased by 1%, driven by the increase in depreciation, other fees and postage expenses (recorded by DC and subsequently re-invoiced to its customers) which were partly offset by the decrease in marketing and advertising expenses as well as rent and utilities expenses.

Other operating expenses, 9M 2018 (%)

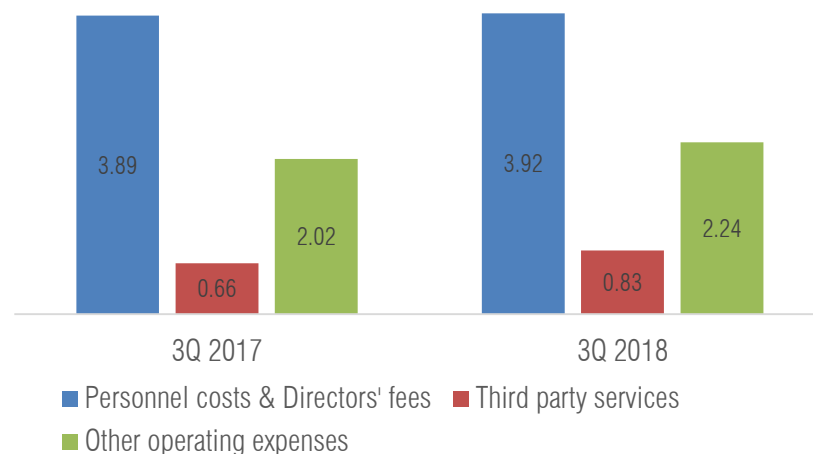


# Analysis of the consolidated results for 3Q 2018

Main financial indicators, 3Q 2018 vs. 3Q 2017 (RON mn)



Breakdown of operating expenses, 3Q 2018 vs. 3Q 2017 (RON mn)



\* The financial results for 9M/3Q 2018 are prepared in accordance with IFRS and are not audited.

- The **consolidated operating revenues** of the BVB Group decreased by 14% in the third quarter of 2018 compared to the same period of the previous year to RON 7.68 mn. In nominal terms, the total traded value in the third quarter of 2018 decreased by 50% compared to the value traded in the same quarter of 2017, with the share segment recording a 32% drop. Registry activity recorded an increase by 22%, thus partly diminishing the impact of the decrease in trading and post-trading activity.
- The third quarter of 2018 generated a **consolidated operating profit** of RON 0.69 million lei, down by 71% compared to the same quarter of 2017 (3Q 2017: RON 2.33 mn), as a result of a fall in the operating revenues by 14% compounded by an increase of the operating expenses by 6%.
- The **consolidated net profit** in the third quarter of 2018 was RON 1.16 mn, down by 48% compared with the net result obtained in the same period of 2017 (3Q 2017: RON 2.23 mn) with a margin net of 18%, 84% of the result being generated by the Group's trading segment.

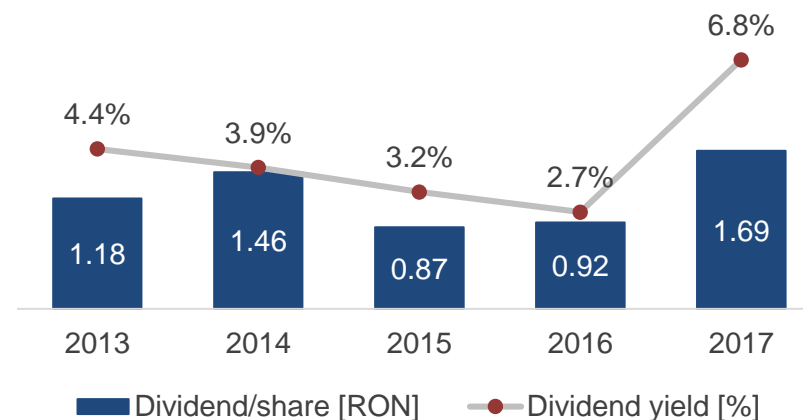
# Overview of the consolidated financial position

## Consolidated financial position (RON mn)

	Sept. 2018	Dec 2017
Non-current assets	75.69	61.08
Current assets	175.37	142.16
<b>Total assets</b>	<b>251.06</b>	<b>203.24</b>
Shareholders' equity attributable to owners of the Company	108.66	114.30
Minority interest	10.39	10.70
Short-term liabilities	132.01	78.24
<b>Total equity and liabilities</b>	<b>251.06</b>	<b>203.24</b>

- At the end of September 2018, the **total assets** of the BVB Group amounted to RON 251.06 mn (31 December 2017: RON 203.23 mn), up by 24% compared to the beginning of the year, determined both by the increase in current assets and non-current assets.
- The **non-current assets**, amounting to RON 75.69 mn, recorded an increase by 24% compared to the beginning of the year, mainly due to the increase in assets held to maturity as a result of the liquidation of some short-term bank deposits. The amounts available for dividends payment to the Central Depository's clients were shown in **Other restricted assets** and represented at the end of September 2018 the amount of RON 104.05 mn (31 Dec. 2017: RON 50.16 mn).

## Dividends and dividend yield



Note: Dividend yields are calculated using the price on the corresponding ex-dates

- On June 11, 2018, BVB started to pay the dividends from the 2017 net profit of RON 13.55 mn, representing 100% of the net profit after reserves. The gross dividend approved for 2017 was RON 1.6862/share.
- Stable dividend policy, with a payout ratio of 100%, after legal reserves
- The dividend policy is expected to remain unchanged

# Steps towards Emerging Market Status (1/2)

## Institutions evaluating Romania



FTSE Russell  
MSCI  
S&P Dow Jones  
STOXX

## MSCI Global Market Accessibility Review, June 2018

MSCI

MSCI upgraded Romania's accessibility criteria on 3 notes: trading, market regulation and information flow

“Romania continued its efforts to improve the liquidity and participation in the stock market by lowering trading fees and encouraging more market makers to boost market activity. Notable activities for the Romanian equity market also included the launch of the Issuers Reporting Information System, where listed companies are able to release their communication to the market efficiently”

## FTSE Country Classification – Review September 2018

FTSE

Romania was maintained on Emerging Market Watchlist and is one step closer to becoming Emerging Market

The single outstanding criterion is Liquidity – Sufficient broad market liquidity to support sizeable global investment. FTSE upgraded from ‘Not Met’ to ‘Restricted’ the Liquidity criterion, following an improvement in broad market liquidity.

## S&P Dow Jones Country Classification Consultation Results, October 2017

S&P

Romania was maintained on the Frontier Markets index

“Of the countries listed in the consultation, Poland and Romania were cited most often as countries where a classification change could be justified. As such, they may be included in future consultations if conditions continue to improve”

# Steps towards Emerging Market Status (2/2)

## Institutions evaluating Romania



FTSE Russell  
MSCI  
S&P Dow Jones  
STOXX

Key actions necessary in order for Romanian capital market to be upgraded to the Emerging Market status by major international institutions:

- Increase the free-float of the already listed companies, allowing sizeable investments in Romania
- Improve the total market liquidity

Promotion of the local capital market reform:

- Permanent communication with FTSE, MSCI, STOXX and S&P Dow Jones
- Organizing a communication platform with international investing community, supported by EBRD and Bloomberg

The upgrade to a superior classification is voted by global players: large institutional investors and custodians

## Main criteria to be fulfilled by Emerging Markets

### FTSE

Romania maintained on Emerging Market Watchlist

- Min. 3 companies meeting eligibility tests (size, free float and liquidity criteria)
- Qualitative criteria fulfilled by BVB since 2015-2016:
  - fair and non-prejudicial treatment of minority shareholders
  - free and well-developed foreign exchange market
  - transaction costs – implicit and explicit costs to be reasonable and competitive

### MSCI

Min. 3 companies fulfilling the following:

- Company size (full market cap) of USD 1,594 mn
- Free Float value of USD 797 mn
- ATVR (Annualized Traded Value Ratio) of min. 15%

### S&P

Initial Eligibility Criteria:

- Full domestic market capitalization over USD 2.5 bn
- Domestic annual turnover value over USD 1 bn
- Exchange development ratio (Mcap to GDP) over 5%

Additional Criteria (minimum 3 of them):

- Full domestic market capitalization over USD 15 bn
- Settlement period of T+3 or better
- Sovereign Debt rating of BB+ or above
- No significant foreign ownership restrictions
- Freely traded foreign currency

## IR Contact:

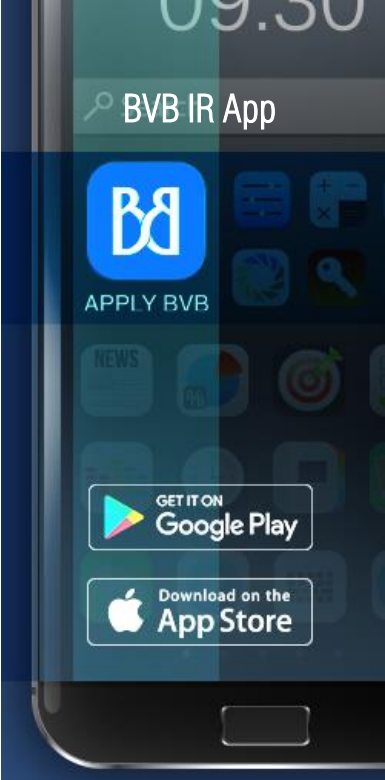
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