



HALF-YEARLY REPORT

as of 30 June 2020

Contents

Executive summary	2
Financial and operating highlights	4
Analysis of the consolidated results for the first half of 2020	6
Expectations for the second half of 2020	13
Condensed consolidated interim financial statements as at and for the six-month period ended 30 June 2020	13
Statement of persons responsible	29
Contact us	30
Find out more about the Bucharest Stock Exchange	30

Notes

The Directors' consolidated report herein presents the interim condensed consolidated financial statements of the Bucharest Stock Exchange, prepared in accordance with the International Financial Reporting Standards as adopted by the European Union and in compliance with the rules and regulations of the Financial Supervisory Authority (FSA). The financial results as of 30 June 2020 are not audited.

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

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

Disclaimer

This English language report is a convenience translation of the Romanian language "*Raport semestrial întocmit la data de 30 iunie 2020*". The Romanian version of the report is the official document.

Executive summary

Key events, 1H 2020

- The total value of transactions on all markets, including offers, + 7%, from RON 5.42 bn to RON 5.79 bn, due to the increase in the value of secondary public offers on the main stock market by RON 0.30 bn
- The total value of transactions on the regulated stock market, excluding offers, remained at a similar level to that of 1H 2019, respectively RON 5.23 bn. Transactions with shares, excluding initial and secondary public offerings, represent 84% of the total values traded in 1H 2020, respectively 92% in 1H 2019
- The value of transactions with structured products increased more than 4 times, compared to 1H 2019, from RON 75 mn to RON 377 mn
- FTSE Russell confirmed that Romania is on track for September promotion to secondary emerging market status. Banca Transilvania and Nuclearelectrica are the two issuers expected to be part of the FTSE Emerging Markets indices
- The online investor events continued with good participation from both issuers and investors. Besides the broker organized events, BVB co-organized together with a French partner, CF&B Communication an online event targeting continental Europe investors
- In early June, Bittnet became the first company to be transferred from the Aero market to the main regulated market. Bittnet was listed on the MTF for 5 years. Six bond issuances started trading on the BVB platform in Q2: Raiffeisen Bank bonds on the regulated market and the bonds issued by Vivre Deco, Omro IFN, Artprint, Norofert and Agroland on the Aero market
- On June 5, 2020, BVB started to pay the dividends from the 2019 net profit of RON 6.56 mn, representing 100% of the net profit after reserves. The gross dividend for 2019 was RON 0.822227 / share

Evolution of financial performance, 1H 2020 - consolidated results BVB Group

- **The consolidated operating revenues** of the BVB Group in 1H 2020 were RON 19.58 mn (1H 2019: RON 17.74 mn), +10%, + RON 1.84 mn, growth influenced by all business segments of the Group
 - Revenues from the trading segment (BVB) increased by 11%, + RON 1.15 mn (from RON 10.16 mn to RON 11.31 mn) as a result of the increase of the traded value - secondary public offers on the main stock market
 - Revenues related to the post-trading segment (DC) increased by 5% (from RON 4.90 mn to RON 5.15 mn) due to the increase of revenues from maintaining the quality of custodian in the DC system but also due to the increase of revenues from settlement, influenced by the increase of the values traded at BVB, the revenues related to the register segment (DC) also increased, +13%, from RON 2.33 mn to RON 2.63 mn, mainly due to the registration of "one-off" revenues

Half-yearly individual results*:

- Trading revenues – **BVB individual***, increased by 20%, + RON 2.11 mn (from RON 10.32 mn to RON 12.44 mn) mainly due to the advance of revenues from shares trading, secondary public offering by RON 1.23 mn
- **DC individual*** revenues increased by 8%, + RON 0.55 mn in 1H 2020 compared to 1H 2019, from RON 7.29 mn to RON 7.83 mn

* including intra-group transactions

- **Consolidated operating expenses** – 1H 2020, +6%, respectively RON 0.87 mn, from RON 15.18 mn lei to RON 16.04 mn, mainly as a result of the advance of personnel expenses by RON 0.63 mn and expenses with services provided by third parties by RON 0.42 mn

Half-yearly individual results*:

- Operating expenses, **BVB individual***, H1 2020, -3%, - RON 0.27 mn, from RON 8.41 mn lei to RON 8.13 mn mainly due to the decrease of other operating expenses
 - Operating expenses, **DC individual ***, H1 2020, +8%, + RON 0.51 mn, from RON 6.52 mn to RON 7.04 mn mainly due to the advance of personnel expenses by RON 0.30 mn, as a base effect, considering that in the first 3 months of 2019 no expenses with Board allowances were registered, the authorization of the Board by FSA took place in April 2019
- **Consolidated operating profit of the BVB Group** – 1H 2020, +38%, from RON 2.57 mn to RON 3.54 mn as a result of the advance of operating revenues by 10% while the advance of operating expenses was 6%
 - Operational profit, **BVB individual*** - 1H 2020, +125%, from RON 1.92 mn to RON 4.31 mn, with an operating margin of 35%. This includes intra-group transactions (for trading segment values, excluding intra-group transactions - see *Note 6 Segment reporting*)
 - Operational profit, **DC individual*** - 1H 2020, +5%, from RON 0.76 mn to RON 0.80 mn, with an operating margin of 10%. This includes intra-group transactions (for post-trading and registry segments values, excluding intra-group transactions - see *Note 6 Segment reporting*)
- **Consolidated net financial income** – 1H 2020, -23%, decrease from RON 2.04 mn to RON 1.58 mn, as a result of the reduction of unrealized exchange rate differences from the revaluation of financial instruments in foreign currency, which generated a gain of RON 0.05 mn vs. RON 0.55 mn in 1H 2019, decrease partially covered by the increase of interest income by 0.16 mn, up to the value of RON 1.65 mn
 - Net financial income, **BVB individual*** - 1H 2020, -41% or RON 1.23 mn, from RON 3.03 mn to RON 1.80 mn lei influenced both by the reduction of interest income and unrealized differences of exchange rate, the effect of the decrease of the value of investments in government securities and deposits as a result of the investment of EUR 10 mn in the share capital of CCP.RO. For the trading segment values, excluding dividend income from the Central Depository - see *Note 6 Segment reporting*
 - Net financial income, **DC individual*** - 1H 2020, -27% or RON 0.10 mn, from RON 0.39 mn to RON 0.28 mn. For the post-trading and registry segment values - see *Note 6 Segment reporting*
- **Consolidated net profit of the BVB Group** – 1H 2020, +10%, from RON 3.87 mn to RON 4.24 mn, 75% being generated by the trading segment of the Group
 - Net profit, **BVB individual*** - 1H 2020, +23%, from RON 4.37 mn to RON 5.32 mn, with a net margin of 43%. This includes intra-group transactions (for trading segment values, excluding intra-group transactions - see *Note 6 Segment reporting*)
 - Net profit, **DC individual*** - 1H 2020, -3%, from RON 0.99 mn to RON 0.96 mn, with a net margin of 12%. This includes intra-group transactions (for post-trading and registry segments values, excluding intra-group transactions - see *Note 6 Segment reporting*)

* including intra-group transactions

Financial and operating highlights

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

	1H 2020	1QH 2019	Change (%)	2Q 2020	2Q 2019	Change (%)
Operating revenue	19.58	17.41	10%	7.47	8.88	-16%
Operating expenses	<u>(16.04)</u>	<u>(15.18)</u>	6%	<u>(8.02)</u>	<u>(7.93)</u>	1%
Operating profit	3.54	2.57	38%	(0.56)	0.95	-159%
<i>Operating margin</i>	18%	14%		-7%	11%	
Net financial revenue/(expenses)	1.58	2.04	-23%	0.79	0.35	125%
Profit before tax	<u>5.11</u>	<u>4.67</u>	10%	<u>0.24</u>	<u>1.36</u>	-83%
Profit from continuing operations	4.24	3.87	10%	0.03	1.11	-97%
Profit from discontinued operation	-	-		-	0.04	-
Profit for the period	4.24	3.87	11%	0.03	1.15	-97%
<i>Net margin</i>	22%	22%		0%	13%	
EPS attributable to owners (RON/share)	0.5423	0.4475	22%	0.0359	0.1221	-71%
<i>Return on equity</i>	3%	3%		0%	1%	

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

	30 Jun. 2020	31 Dec. 2019	Change (%)
Total assets, out of which:	215.98	217.63	-1%
<i>Cash & cash equivalents</i>	6.71	81.71	-92%
<i>Financial assets at amortised cost</i>	113.14	37.12	205%
<i>Restricted financial assets at amortised cost</i>	57.20	57.42	0%
Payables, out of which:	70.02	67.68	3%
<i>Trade and other payables</i>	41.37	41.33	0%
Equity, out of which:	145.96	149.95	-3%
<i>Total shareholders' equity attributable to the owners of the Company</i>	104.47	107.84	-3%
<i>Non-controlling interests</i>	41.52	42.11	-%

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

	1H 2020	1QH 2019	Change (%)	2Q 2020	2Q 2019	Change (%)
Operating revenue	12.44	10.32	20%	4.48	4.94	-9%
Operating expenses	<u>(8.13)</u>	<u>(8.41)</u>	-3%	<u>(3.93)</u>	<u>(4.39)</u>	-11%
Operating profit	4.31	1.92	125%	0.55	0.55	1%
<i>Operating margin</i>	35%	19%		12%	11%	
Net financial revenue/(expenses)	1.80	3.03	-41%	1.24	1.60	-22%
Profit before tax	<u>6.10</u>	<u>5.00</u>	22%	<u>1.79</u>	<u>2.20</u>	-19%
Profit for the period	5.35	4.37	23%	1.62	2.02	-20%
<i>Net margin</i>	43%	42%		36%	41%	
<i>Return on equity</i>	5%	4%		2%	2%	

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

	30 Jun. 2020	31 Dec. 2019	Change (%)
Total assets, out of which:	109.44	110.93	-1%
<i>Cash & cash equivalents</i>	2.86	1.99	43%
<i>Financial assets at amortised cost</i>	26.50	25.19	5%
<i>Investments in subsidiaries</i>	67.96	67.96	0%
Payables, out of which:	5.40	4.48	21%
<i>Trade and other payables</i>	3.41	2.60	31%
Equity, out of which:	104.03	106.45	-2%
<i>Share capital</i>	80.49	80.49	0%
<i>Legal reserve</i>	9.45	9.15	3%

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

	1H 2020	1QH 2019	Change (%)	2Q 2020	2Q 2019	Change (%)
Closing price (e-o-p)	24.10	22.30	8%	24.10	22.30	8%
Weighted average price	23.29	22.28	5%	23.98	22.15	8%
High (intraday)	25.90	24.60	5%	25.50	23.00	11%
Low (intraday)	19.00	21.10	-10%	22.60	21.70	4%
Total trading value (RON mn)	14.10	6.68	111%	2.99	4.26	-30%
Average trading value (RON mn)	0.12	0.05	111%	0.05	0.07	-29%

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

	1H 2020	1QH 2019	Change (%)	2Q 2020	2Q 2019	Change (%)
Trading value						
Shares, units, rights	5,794	5,424	7%	2,264	2,658	-15%
<i>Out of, Shares traded on regulated market, without offers</i>	5,229	5,254	0%	2,136	2,611	-18%
Certificates	377	75	400%	240	75	218%
Fixed-income	55	104	-47%	30	42	-29%
Total	6,227	5,603	11%	2,534	2,775	-9%
Avg. daily value (shares, without initial public offerings)*	45.73	43.52	5%	36.09	42.91	-16%
Avg. daily value (shares, including initial public offerings)*	45.73	43.52	5%	36.09	42.91	-16%

*Value for the Regulated market

Operating indicators, post-trading and registry segments

	1H 2020	1QH 2019	Change (%)	2Q 2020	2Q 2019	Change (%)
No. companies with registry contract at CSD	866	879	-1%	866	879	-1%
No. procedures resulted from issuers' corporate events	353	353	0%	339	339	0%
<u>Local settlement</u>						
Value of trades settled on net basis (RON bn)	12.11	12.91	-6%	4.77	6.20	-23%
Value of trades settled on gross basis (RON bn)	1.14	2.04	-44%	0.53	0.98	-46%
<u>Settlements through T2S platform (euro)</u>						
Value of trades settled on gross basis (EUR mn)	14.06	2.79	404%	2.29	1.57	46%
Avg. monthly portfolio managed by custodians (RON bn)	43.68	39.88	10%	42.41	42.01	1%

Analysis of the consolidated results for the first half of 2020

Macroeconomic background and financial markets overview in the second quarter of 2020. Romania's GDP dynamics in the 1st quarter of the year surprised on the upside with a 2.4% growth year-on-year, even with the emergence of the COVID-19 pandemic that forced Europe into a lockdown signaling that Romania may not enter a technical recession this year. The state of emergency enacted towards the end of the 1st quarter lasted until May 14 after which the lockdown measures were eased and early signs of economic recovery unfolded. Following the emergence of this unprecedented crisis, the unemployment rate continued to increase reaching 5.2% at the end of June and is expected to increase even further over the next period. Inflation moved lower towards the 2.6% mark and expectations are that it will continue to remain subdued over the medium term given the shock caused on the demand side by the current crisis.

The National Bank of Romania (NBR) continued to lower the key rate from 2.0% to 1.75% as well as to keep the symmetrical corridor defined by interest rates on standing facilities around the monetary policy rate at ± 0.5 percentage points. In addition, the Romanian central bank decided to further conduct repo transactions to ensure the smooth functioning of money market and of other financial market segments and to continue the purchase of leu-denominated government securities on the secondary market.

The EUR/RON exchange rate increased further in the 2nd quarter, fluctuating, on average, near the level of 4.83. As for the USD/RON exchange rate, it continued to move higher, on average, towards the level of 4.39.

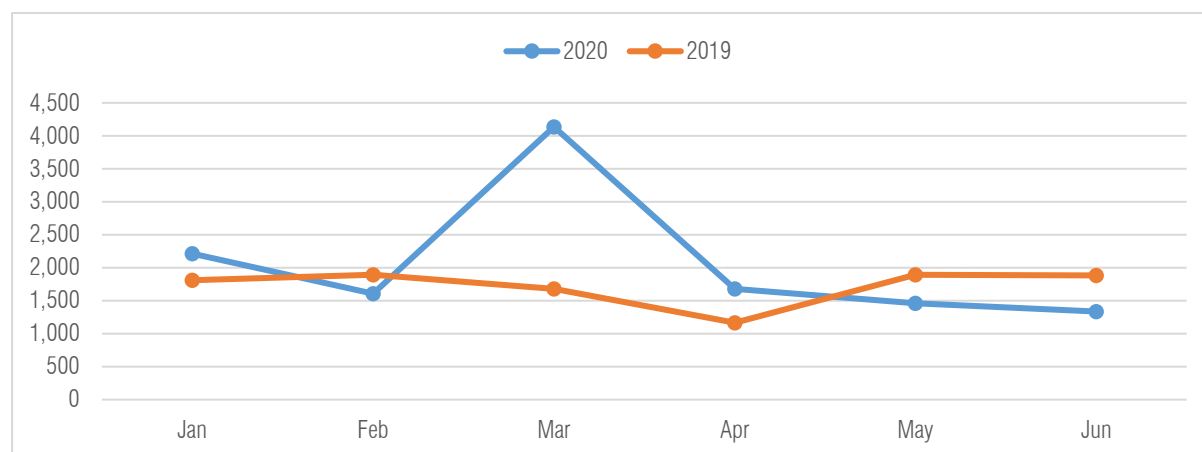
The easing of the lockdown measures, however, saw risk appetite return rapidly during the 2nd quarter, the financial markets posting one of the best quarters in history. The Romanian blue chips index, BET, increased by 13.5%, mostly in line with the performance of the EU markets. In the US, the S&P 500 jumped by 20%, while in the UK the FTSE 100 moved higher by 8.8%. The German index, DAX, was one of the best performers with a 23.9% increase, while the MSCI Emerging Markets Index moved higher by 17.3%.

Review of the consolidated financial results for the first half of 2020 and the second quarter of 2020

The consolidated operating revenues of the BVB Group in 1H 2020 were RON 19.58 mn (1H 2019: RON 17.74 mn), +10%, + RON 1.84 mn, growth influenced by all business segments of the Group

- **Trading segment revenues (BVB, excluding intra-group transactions), 1H 2020, +11%, + RON 1.15 mn** (from RON 10.16 mn to RON 11.31 mn) as a result of the increase of the traded value - secondary public offers on the main stock market

Monthly operating revenues, BVB individual, 2020 vs. 2019 (thousand RON)



Operating revenues, BVB individual, 2020 vs 2019 (thousand RON), including intra group transactions

Operating revenues	1H 2020	1H 2019	% from total 2020	Abs. Var	% Var
Revenues from Trading fees, out of which:	9,090	7,624	73%	1,465	19%
<i>Revenues from Regulated market</i>	7,176	7,172	58%	4	0%
<i>Revenues from Offers, Regulated market</i>	1,465	239	12%	1,226	512%
Issuers admission & maintenance fees	1,117	1,128	9%	-11	-1%
Revenues from data vending	771	754	6%	16	2%
Other revenues	<u>1,460</u>	<u>817</u>	12%	<u>643</u>	79%
Total operating revenues	12,437	10,324	100%	2,114	20%

- **Trading revenues, regulated market, excluding offers** - H1 2020, remained at the similar level of the previous year, respectively RON 7.18 mn
 - Trading activity at BVB on the stock market - H1 2020, + 7%, reaching the level of RON 5.79 bn, transactions with “regular” shares remaining at a level similar to 1H 2019, respectively RON 5.23 bn
 - Trading revenues, **the regulated market - public offers**, increase by 512% (from RON 0.24 mn to RON 1.47 mn), influenced by the increase of the value of secondary public offers on the stock market from RON 57 mn to RON 358 mn
 - The market of fixed income instruments (bonds and government securities) – 1H 2020, -47%, from RON 104 mn lei to RON 55 mn
 - The revenues from admission and maintenance decreased by 1% in 1H 2020, to RON 1.11 mn, representing 9% of BVB's operating revenues
 - Revenue from the data vending – 1H 2020, +2% up to the value of RON 0.77 mn, representing 6% of BVB's operating revenues
 - Other operating revenues (revenues from IT services, partnerships, participants feed) – 1H 2020, +79% up to RON 1.46 mn, increase mainly determined by the re-invoicing of the GAP Study on the establishment of the central counterparty in Romania to the CCP.RO Bucharest SA subsidiary.

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

Trading value (RON mn)	1H 2020	1QH 2019	Change (%)	2Q 2020	2Q 2019	Change (%)
Trading value – shares, rights, units*	5,794	5,424	7%	2,264	2,658	-15%
Trading value – certificates	377	75	400%	240	75	218%
Trading value – fixed-income*	<u>55</u>	<u>104</u>	-47%	<u>30</u>	<u>42</u>	-29%
Total	6,227	5,603	11%	2,534	2,775	-9%

Note: Figures refer to all markets and include offers

DC Individual revenues - 1H 2020, +8% vs. 1H 2019, from RON 7.29 mn to RON 7.83 mn

- The revenues related to the post-trading segment (DC) – 1H 2020, +5% (from RON 4.90 mn to RON 5.15 mn) as a result of the increase of revenues from maintaining the quality of custodian in the DC system but also of increase in settlement revenues, influenced by the increase in values traded on BVB
- The revenues related to the registry segment (DC) – 1H 2020, increased by 13% (from RON 2.33 mn to RON 2.63 mn) mainly due to the registration of “one-off” revenues

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

	1H 2020	1QH 2019	Change (%)	2Q 2020	2Q 2019	Change (%)
No. companies with registry contract at CSD	866	879	-1%	866	879	-1%
No. procedures resulted from issuers' corporate events	353	353	0%	339	339	0%
<u>Local settlement</u>						
Value of trades settled on net basis (RON bn)	12.11	12.91	-6%	4.77	6.20	-23%
Value of trades settled on gross basis (RON bn)	1.14	2.04	-44%	0.53	0.98	-46%
<u>Settlements through T2S platform (euro)</u>						
Value of trades settled on gross basis (EUR mn)	14.06	2.79	404%	2.29	1.57	46%
Avg. monthly portfolio managed by custodians (RON bn)	43.68	39.88	10%	42.41	42.01	1%

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

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

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

The consolidated operating revenues of the BVB Group – 2Q 2020, -16% vs. 2Q 2019, from RON 8.89 mn to RON 7.47 mn, mainly influenced by the decrease of the other operating revenues as a result of the elimination in the consolidation process of the Group's revenues representing the value of the GAP study invoiced by BVB to CCP.RO in 1Q 2020 and recorded as non-current assets in progress in 1Q 2020, as it was subsequently assessed that it does not have sufficient elements to be capitalized in the category of non-current assets at CCP.RO level, thus being recognized in the expenses of the subsidiary and then eliminated on consolidation from both revenue and expenditure.

The consolidated operating expenses of the BVB in 1H 2020, advanced by 6%, from RON 15.18 mn to RON 16.04 mn

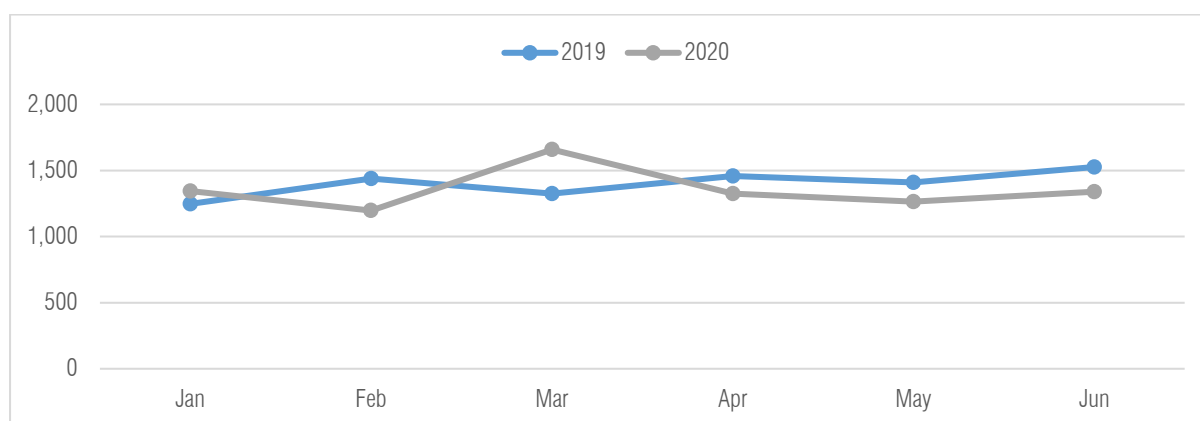
- Consolidated personnel expenses - H1 2020, + 8% or RON 0.63 mn, from RON 8.15 mn to RON 8.77 mn as a result of the advance of salary expenses, due to the application of the Remuneration Policy at the level of the BVB Group, respectively of the salary adjustments that took place starting with 2Q 2019, but also as a base effect considering that in 1Q 2019 at the level of DC no expenses were registered with Board allowances, as its authorization by FSA took place in April 2019. Also, the recording of personnel expenses by CCP.RO in 1H 2020 also generates a base effect, because in the similar period of 2019 no such expenses were recorded. At the same time, the estimated expenses with the benefits to be granted in shares to BVB management and employees decreased compared to 1H 2019.

During the reporting period, through the Remuneration Policy at BVB level, a number of 30,260 shares were transferred free of charge, for the results of 2019, with a market value at the time of granting of RON 0.71 mn to BVB Board members, management and employees.

- Consolidated expenditure with services provided by third parties – 1H 2020, +24%, from RON 1.74 mn to RON 2.17 mn, mainly due to the increase in the estimated consultancy expenses related to the CCP Project.
- The category of consolidated other operating expenses – 1H 2020, -3% or RON 0.18 mn, from RON 5.29 mn to RON 5.10 mn, influenced by:

- The net decrease of the rent expenses considering that a part of the events organized annually by the Group in 1H have been postponed for the second part of the year 2020
 - At the same time, as a result of the application of IFRS 16 at the end of 2019, the rent expenses are capitalized and are found in the depreciation expenses, thus generating variations to the year-on-year comparison between these categories of expenses
 - The advance of the expenses with the IT maintenance services, on the background of the increasing requirements for ensuring a technical infrastructure according to the regulations in force
 - Reduction of protocol expenses as a result of the postponement of some events of the Group
 - Increase of net expenses with uncertain clients
- **Operating expenses, BVB individual, H1 2020, -3%**, from RON 8.41 mn to RON 8.13 mn mainly due to the decrease of other operating expenses by RON 0.56 mn, a level that covers the increase of expenses with services provided by third parties - consulting services, by RON 0.16 mn and personnel expenses by RON 0.12 mn

Monthly operating expenses, BVB individual, 2020 vs. 2019 (thousand RON)



Operating expenses BVB Individual, 2020 vs 2019 (thousand RON)

Operating expenses	1H 2020	1H 2019	Abs. Var.	Var. %
Personnel expenses and Director's fees., out of which:	4,531	4,410	121	3%
<i>Personnel expenses</i>	3,730	3,418	312	9%
<i>Estimated expenses - SOP & bonuses</i>	342	454	-112	-25%
Services provided by third parties, out of which:	1,153	988	165	17%
<i>Business consulting services</i>	386	94	293	313%
<i>Other third party services</i>	172	269	-98	-36%
Other operating expenses, out of which:	2,444	3,007	-563	-19%
<i>Rent and office utilities</i>	112	626	-514	-82%
<i>Amortisation and depreciation of fixed assets and right of use assets</i>	1,147	705	442	63%
<i>Marketing and protocol expenses</i>	238	591	-353	-60%
<i>IT maintenance expenses</i>	424	368	57	15%
<i>Other expenses</i>	46	166	-120	-72%
Total Operating expenses	8,129	8,406	-277	-3%

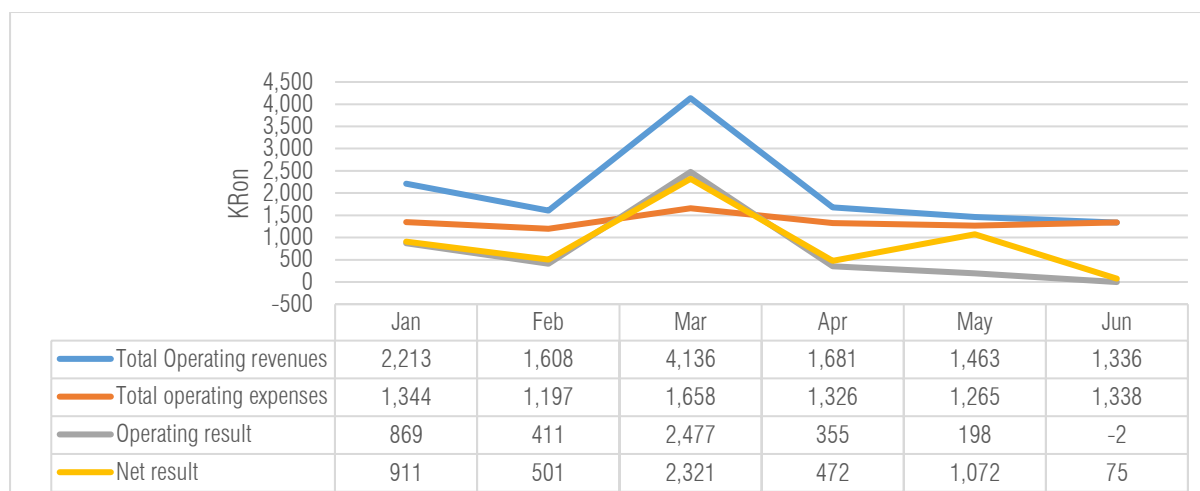
- Personnel expenses and Directors' fees, BVB individual, 1H 2020, +3%, up to RON 4.53 mn, the increase being influenced both by the application of the Remuneration Policy (salary adjustment) that took place starting

with 2Q 2019, but also due to the overlap for several months of the staff left with the new employee, an advance offset by the reduction of the estimated expenses with the benefits granted in financial instruments to management and employees

- Expenses with the services provided by third parties, BVB individual, 1H 2020, +17%, from RON 0.99 mn to RON 1.15 mn, mainly due to the increase in the estimated expenses with consultancy for the CCP Project.
- The category of other operating expenses, BVB individual – 1H 2020, -19% or RON 0.56 mn, from RON 3.00 mn lei to RON 2.44 million lei, influenced by:
 - The net decrease of the rent expenses considering that a part of the events organized annually by BVB in 1H have been postponed for the second part of the year 2020
 - At the same time, as a result of the application of IFRS 16 at the end of 2019, the rent expenses are capitalized and are found in the depreciation expenses, thus generating variations to the year-on-year comparison between these categories of expenses
 - The advance of the expenses with the IT maintenance services, on the background of the increasing requirements for ensuring a technical infrastructure according to the regulations in force
 - Reduction of protocol expenses as a result of the postponement of some BVB events
 - Reduction of other expenses as a base effect considering that in 1Q 2019 BVB granted a donation, without affecting the net profit, this expense being fully deducted from the corporate income tax
- **Operating expenses, DC individual**, 1H 2020, +8%, from RON 6.52 mn to RON 7.04 mn, mainly influenced by the increase of personnel expenses and other operating expenses, together generating an advance of RON 0.46 million
- **The consolidated operating expenses of the BVB Group – 2Q 2020**, +1% or RON 0.09 mn vs. Q2 2019, from RON 7.94 mn to RON 8.02 mn, increase determined by the advance of personnel expenses and expenses with services provided by third parties with a higher value than the reduction of the category of other operating expenses
- **The consolidated operating profit of the BVB Group – 1H 2020**, +38%, from RON 2.57 mn to RON 3.54 mn as a result of the advance of operating revenues by 10% while the advance of operating expenses was 6%

Operating profit, **BVB individual** - 1H 2020, +125%, from RON 1.92 mn to RON 4.31 mn, with an operating margin of 35%. (for trading segment values, excluding intra-group transactions - see *Note 6 Segment reporting*)

2020 Monthly evolution, BVB individual (thousand RON)



Operating profit, **DC individual** - 1H 2020, +5%, from RON 0.76 mn to RON 0.80 mn, with an operating margin of 10%. This includes intra-group transactions (for post-trade and registry segments values, excluding intra-group transactions - see *Note 6 Segment reporting*)

- Consolidated operating profit of BVB Group, 2Q 2020, -159% or RON 1.51 mn vs. 2Q 2019, from a profit of RON 0.95 mn to an operating loss of RON 0.56 mn mainly due to the time difference between the recognition of an intra-group revenue in 1Q 2020 and its elimination upon consolidation in 2Q 2020. The consolidated operating profit, without this elimination, would have been RON 0.41 mn

- **Net financial income** - 1H 2020, -23%, decrease from RON 2.04 mn to RON 1.58 mn, as a result of the reduction of unrealized exchange rate differences from the revaluation of financial instruments in foreign currency, which generated a gain of RON 0.05 mn vs. RON 0.55 mn in 1H 2019, decrease partially covered by the increase of interest income by 0.16 mn, up to the value of RON 1.65 mn

Net financial income, **BVB individual** - 1H 2020, -41% or RON 1.23 mn, from RON 3.03 mn to RON 1.80 mn lei influenced both by the reduction of interest income and unrealized differences of exchange rate, the effect of the decrease of the value of investments in government securities and deposits as a result of the investment of EUR 10 mn in the share capital of CCP.RO. This value also includes dividends income from the Central Depository of RON 1.04 mn. For the trading segment values, excluding dividend income from the Central Depository - see *Note 6 Segment reporting*

Net financial income, **DC individual** - 1H 2020, -27% or RON 0.10 mn, from RON 0.39 mn to RON 0.28 mn. For the post-trade and registry segment values - see *Note 6 Segment reporting*

- The net consolidated financial income – 2Q 2020, +125% vs 2Q 2019, up to the value of RON 0.79 mn, increase determined by the favorable variation of the unrealized exchange rate differences from the revaluation of financial instruments in foreign currency that generated a gain of RON 0.04 mn vs. a loss of RON 0.42 mn in 2Q 2019, as well as the increase of interest income by RON 0.04 mn

- **The consolidated net profit of the BVB Group – 1H 2020**, +10%, from RON 3.87 mn to RON 4.24 mn, 75% being generated by the Group's trading segment, while the profit attributable to the shareholders of the parent company is RON 4.36 mn (1H 2019: RON 3.60 mn)

Net profit, **BVB individual** - 1H 2020, +23%, from RON 4.37 mn to RON 5.32 mn, with a net margin of 43%. This includes intra-group transactions (for trading segment values, excluding intra-group transactions - see *Note 6 Segment reporting*)

Net profit, **DC individual** - 1H 2020, -3%, from RON 0.99 mn to RON 0.96 mn, with a net margin of 12%. This includes intra-group transactions (for post-trade and registry segments values, excluding intra-group transactions - see *Note 6 Segment reporting*)

- The consolidated net profit of the BVB Group – 2Q 2019, -97% or RON 1.11 mn, from RON 1.15 mn to RON 0.03 mn, adversely influenced by the operating loss, with a higher level than the increase of the financial profit. The consolidated net profit, without the influence of the elimination of the intra-group revenue recognized in 1Q 2020, would have been RON 1.00 mn

Review of the consolidated financial position as of end-June 2020

- **Total assets** as of June 30, 2020, -1% or RON 1.65 mn vs. the value from December 31, 2019, to RON 215.98 mn, influenced by the decrease of current assets at a higher level than the increase of non-current assets
- **Non-current assets**, + 18% compared to the beginning of the year, from RON 66.12 mn to RON 78.19 mn, mainly due to the acquisition of government bonds, thus reducing cash

- **Current assets**, -9% compared to the beginning of the year, from RON 151.51 mn to RON 137.79 mn, mainly due to the acquisition of government bonds with maturities of more than 1 year
- The change in current assets of the group were influenced by the slight decrease of the current assets represented by funds available for dividend payments to be made by the Central Depository to the shareholders of the listed companies, clients of the Central Depository, from RON 37.00 mn to RON 34.56 mn, by the dividend payment made by BVB to its shareholders in the amount of RON 6.33 mn and by the acquisition of own shares by BVB in the amount of RON 1.39 mn
- The **total liabilities** of the Group are mainly short-term, at June 30, 2020 amounting to RON 70.02 mn, +3% compared to the value as of December 31, 2019 of RON 67.70 mn, mainly due to the increase of the guarantee and compensation fund
49% of the total liabilities are represented by the payment dividends held on behalf of the clients by the Central Depository, amounting to RON 34.56 mn, and 32% represent guarantee, compensation and margin funds for the settlement of transactions, amounting to RON 22.68 mn
- **Shareholder's equity**, -3% compared to the beginning of the year, to RON 145.96 mn, influenced by the distribution of dividends from 2019 result but also by the acquisition of 60,369 treasury shares by BVB in the amount of RON 1.39 mn

Expectations for the second half of 2020

The CCP project reaches significant milestone with the signing of the agreement with CC&G (part of LSE Group). CC&G will provide BVB Group with consultancy and technical support for clearing and risk management solutions that will be managed by CCP.RO Bucharest.

The Romanian Ministry of Finance issues RON and EUR denominated bonds, targeting the local retail investors, which will be subsequently listed on BVB.

We continue to see increasing interest towards capital raising among small-cap companies on Aero market. Several companies publicly announced capital raising intentions for the second part of 2020.

Condensed consolidated interim financial statements as at and for the period ended 30 June 2020

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

Condensed consolidated income statement and statement of comprehensive income

All amounts are indicated in RON, unless otherwise stated

	Six-month period ended	
	30 Jun. 2020	30 Jun. 2019
	Unaudited	Unaudited
Revenues from services	19,521,146	17,293,879
Other revenues	59,429	448,023
Operating revenue	19,580,574	17,741,902
Personnel expenses and Directors' fees	(8,772,458)	(8,146,578)
Expenses with services provided by third parties	(2,168,654)	(1,744,009)
Other operating expenses	(5,102,954)	(5,285,643)
Operating profit	3,536,509	2,565,672
Net financial revenues/(expenses)	1,577,139	2,043,183
(Losses)/Gains from subsidiaries impairment	-	56,204
Profit before tax	5,113,648	4,665,059
Corporate income tax expense	(874,484)	(796,659)
Profit from continuing operations	4,239,164	3,868,400
Profit/(loss) from discontinued operation	-	-
Profit for the period	4,239,164	3,868,400
Profit attributable to:		
Non-controlling interests	(125,733)	265,989
Owners of the Company	4,364,897	3,602,411
Profit for the period	4,239,164	3,868,400
Earnings per share		
Earnings per share – base/diluted (RON)	0.5423	0.4475

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

President,

Radu Hanga

CEO,

Adrian Tănase

CFO,

Virgil Stroia

Condensed consolidated income statement and statement of comprehensive income

All amounts are indicated in RON, unless otherwise stated

	Three month period ended	
	30 Jun. 2020	30 Jun. 2019
	Unaudited	Unaudited
Revenues from services	8,428,646	8,702,052
Other revenues	(961,709)	181,519
Operating revenue	7,466,937	8,883,571
Personnel expenses and Directors' fees	(4,411,253)	(4,249,157)
Expenses with services provided by third parties	(1,013,067)	(944,312)
Other operating expenses	(2,599,009)	(2,741,359)
Operating profit	(556,391)	948,743
Net financial revenues/(expenses)	792,564	352,090
(Losses)/Gains from subsidiaries impairment	-	56,204
Profit before tax	236,173	1,357,037
Corporate income tax expense	(202,209)	(248,862)
Profit from continuing operations	33,964	1,108,175
Profit from discontinued operation	-	36,922
Profit for the period	33,964	1,145,097
Profit attributable to:		
Non-controlling interests	(254,761)	161,534
Owners of the Company	288,725	983,563
Profit for the period	33,964	1,145,097
Earnings per share		
Earnings per share – base/diluted (RON)	0.0359	0.1221

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

President,	CEO,	CFO,
Radu Hanga	Adrian Tănase	Virgil Stroia

Condensed consolidated statement of financial position

All amounts are indicated in RON, unless otherwise stated

	30 Jun. 2020	31 Dec. 2019
	Unaudited	Audited
Non-current assets		
Tangible assets	6,921,626	7,095,733
Intangible assets	2,847,056	3,281,002
Right-of-use assets	4,220,943	5,029,913
Restricted financial assets covering the guarantee and clearing funds and the margin at amortised cost	11,302,798	17,046,415
Financial assets at amortised cost	<u>52,900,232</u>	<u>33,670,059</u>
Total non-current assets	<u>78,192,655</u>	<u>66,123,122</u>
Current assets		
Trade and other receivables	5,068,246	3,101,107
Prepayments	874,295	460,106
Bank deposits	18,993,344	22,408,681
Restricted bank deposits covering the guarantee fund and the margin	5,047,873	3,326,358
Restricted financial assets covering the guarantee and clearing funds and the margin at amortised cost	6,296,761	50,561
Other financial assets at amortised cost	60,242,759	3,449,485
Cash and cash equivalents	6,710,186	81,712,611
Other restricted assets at amortised cost	<u>34,555,225</u>	<u>36,996,156</u>
Total current assets	<u>137,788,690</u>	<u>151,505,066</u>
Total assets	<u>215,981,344</u>	<u>217,628,188</u>
Equity		
Share capital	80,492,459	80,492,460
Treasury shares and and Share-base benefits	(1,125,754)	54,429
Share premiums	6,303,263	6,303,263
Legal reserve	11,247,499	10,942,276
Revaluation reserve	3,385,355	3,385,355
Retained earnings	<u>4,133,330</u>	<u>6,662,611</u>
Total shareholders' equity attributable to the owners of the Company	<u>104,436,152</u>	<u>107,840,393</u>
Non-controlling interests	41,522,083	42,108,675
Total shareholders' equity	<u>145,958,235</u>	<u>149,949,068</u>

Condensed consolidated statement of financial position (continued)

All amounts are indicated in RON, unless otherwise stated

	30 Jun. 2020	31 Dec. 2019
	Unaudited	Audited
Liabilities		
Operating lease liabilities	<u>2,722,576</u>	<u>3,244,072</u>
Total non-current liabilities	<u>2,722,576</u>	<u>3,244,072</u>
Trade and other payables	41,371,005	41,334,305
Deferred income	1,366,947	901,104
Operating lease liabilities	1,684,746	1,899,667
Current corporate income tax payables	202,209	14,940
Guarantee and clearing funds and settlement operation margin	<u>22,675,626</u>	<u>20,285,032</u>
Total current liabilities	<u>67,300,533</u>	<u>64,435,048</u>
Total liabilities	<u>70,023,109</u>	<u>67,679,120</u>
Total liabilities and equity	<u>215,981,344</u>	<u>217,628,188</u>

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

President,
Radu Hanga

CEO,
Adrian Tănase

CFO,
Virgil Stroia

Condensed consolidated statement of changes in equity

All amounts are indicated in RON, unless otherwise stated

Unaudited	Treasury shares			Retained earnings	Revaluation reserve	Legal reserve	Total		Total shareholders' equity
	Share capital	Share premiums	Share and Share-base benefits				attributable to shareholders	Non-controlling interests	
Balance as at 1 January 2020	<u>80,492,460</u>	<u>6,303,263</u>	<u>54,429</u>	<u>6,662,611</u>	<u>3,385,355</u>	<u>10,942,276</u>	<u>107,840,393</u>	<u>42,108,675</u>	<u>149,949,068</u>
Comprehensive income for the year									
Profit or loss	-	-	-	4,364,897	-	-	4,364,897	(125,733)	4,239,164
Other items of comprehensive income									
Legal reserve increase	-	-	-	(305,223)	-	305,223	-	-	-
Total other items of comprehensive income	-	-	-	(305,223)	-	305,223	-	-	-
Total comprehensive income for the year	-	-	-	4,059,674	-	305,223	4,364,897	(125,733)	4,239,164
Contributions by and distributions to owners of the Company									
Acquisition of treasury shares	-	-	(1,389,119)	-	-	-	(1,389,119)	-	(1,389,119)
Benefits granted to employees settled in shares	-	-	183,075	-	-	-	183,075	-	183,075
Losses as effect of granting shares for free within SOP	-	-	25,862	(25,862)	-	-	-	-	-
Dividend paid to BVB shareholders	-	-	-	(6,559,424)	-	-	(6,559,424)	-	(6,559,424)
Total contributions by and distributions to owners of the Company	-	-	(1,180,183)	(6,585,285)	-	-	(7,765,468)	-	(7,765,468)
Reclassification of non-controlling interests	-	-	-	(3,670)	-	-	(3,670)	3,670	-
Dividend paid to minority shareholders	-	-	-	-	-	-	-	(464,529)	(464,529)
Total changes in interests in subsidiaries	-	-	-	(3,670)	-	-	(3,670)	(460,859)	(464,529)
Total transactions with owners	-	-	(1,180,183)	(6,588,955)	-	-	(7,769,138)	(460,859)	(8,229,997)
Balance as at 30 June 2020	<u>80,492,460</u>	<u>6,303,263</u>	<u>(1,125,754)</u>	<u>4,133,330</u>	<u>3,385,355</u>	<u>11,247,499</u>	<u>104,436,152</u>	<u>41,522,083</u>	<u>145,958,235</u>

Condensed consolidated statement of changes in equity (continued)

All amounts are indicated in RON, unless otherwise stated

Audited	Share capital	Share premium	Treasury shares and Share-base benefits	Retained earnings	Revaluation reserve	Legal reserve	Total attributable to shareholders	Non-controlling interests	Total shareholders' equity
Balance as at 1 January 2019	<u>80,492,460</u>	<u>6,303,263</u>	<u>(683,716)</u>	<u>10,021,138</u>	<u>3,644,141</u>	<u>10,458,721</u>	<u>110,236,007</u>	<u>10,190,477</u>	<u>120,426,484</u>
Comprehensive income for the year									
Profit or loss	-	-	-	6,406,121	-	-	6,406,121	312,399	6,718,520
Other items of comprehensive income									
Legal reserve increase	-	-	-	(495,518)	-	495,518	-	-	-
Other reserves (revaluation reserve)	-	-	-	-	(258,786)	-	(258,786)	-	(258,786)
Total items of comprehensive income	-	-	-	<u>(495,518)</u>	<u>(258,786)</u>	<u>495,518</u>	<u>(258,786)</u>	-	<u>(258,786)</u>
Total comprehensive income for the year	-	-	-	5,910,603	(258,786)	495,518	6,147,335	312,399	6,459,734
Contributions by and distributions to owners of the Company									
Benefits granted to employees settled in shares	-	-	562,536	-	-	-	562,536	-	562,536
Losses as effect of granting shares for free within SOP	-	-	175,609	(175,609)	-	-	-	-	-
Dividend paid to BVB shareholders	-	-	-	<u>(9,021,420)</u>	-	-	<u>(9,021,420)</u>	-	<u>(9,021,420)</u>
Total contributions by and distributions to owners of the Company	-	-	738,144	(9,197,029)	-	-	(8,458,884)	-	(8,458,884)
Dividend paid to minority shareholders	-	-	-	-	-	-	-	(618,255)	(618,255)
Variation of interests in subsidiaries	-	-	-	(72,102)	-	(11,963)	(84,065)	32,224,054	32,139,989
Total changes in interests in subsidiaries	-	-	-	<u>(72,102)</u>	-	<u>(11,963)</u>	<u>(84,065)</u>	<u>31,605,799</u>	<u>31,521,734</u>
Total transactions with owners	-	-	<u>738,144</u>	<u>(9,269,131)</u>	-	<u>(11,963)</u>	<u>(8,542,949)</u>	<u>31,605,799</u>	<u>23,062,850</u>
Balance as at 31 December 2019	<u>80,492,460</u>	<u>6,303,263</u>	<u>54,429</u>	<u>6,662,611</u>	<u>3,385,355</u>	<u>10,942,276</u>	<u>107,840,393</u>	<u>42,108,675</u>	<u>149,949,068</u>

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

Condensed consolidated statement of cash flows

All amounts are indicated in RON, unless otherwise stated

	Three month period ended	
	30 Jun. 2020	30 Jun. 2019
	Unaudited	Unaudited
Cash flows used in operating activities		
Profit for the year	4,239,164	3,868,400
Adjustments to remove non-cash items and reclassifications:		
Depreciation of fixed assets	2,434,432	1,341,140
Net interest income	(1,649,651)	(1,491,564)
Loss from impairment of uncollected receivables	81,229	188,531
Net expenses/(revenue) with receivables adjustment	(27,582)	(332,954)
Corporate income tax expense – reclassification	874,484	796,659
(Revenues)/Expenses with Expected credit losses IFRS 9	12,543	(18,277)
Expense with employees' benefits settled in shares	183,075	340,349
(Gains)/Losses from subsidiaries impairment	-	(56,204)
Cash flows used in operating activities	6,147,694	4,636,080
Change in trade and other receivables	394,292	23,569,749
Change in prepayments	(414,189)	(477,078)
Change in trade and other payables, including amounts due for dividends payment to clients	(1,687,541)	(25,124,384)
Change in deferred income	465,842	496,016
Changes in guarantee and clearing funds and the margin	2,390,594	1,412,345
Corporate income tax paid	(682,155)	(825,704)
Net cash from operating activities	6,614,538	3,687,024
Cash flows from investing activities		
Interest received	1,933,458	2,267,890
Interest received from assets covering the guarantee and clearing funds and margin	516,440	511,321
(Payments) for acquisitions of financial assets	(85,126,969)	(21,433,513)
Proceeds from sales/maturation of financial assets	8,826,538	23,262,571
Change in bank deposits balance	1,712,144	4,493,561
Acquisition of tangible and intangible assets	(831,886)	(743,117)
Change in held for sale assets	-	56,204
Net cash from investing activities	(72,970,275)	8,414,916

Condensed consolidated statement of cash flows (continued)

All amounts are indicated in RON, unless otherwise stated

	30 Jun. 2020	30 Jun. 2019
	Unaudited	Unaudited
Cash flows from financing activities		
Dividends paid shareholders of the parent	(6,335,631)	(8,635,644)
Principal elements of operating lease payments, including interests	(921,938)	-
Acquisition of treasury shares	<u>(1,389,119)</u>	<u>-</u>
Net cash used in financing activities	(8,646,688)	(8,635,644)
Net increase / (decrease) in cash and cash equivalents	(75,002,425)	3,466,296
Cash and cash equivalents 1 January	<u>81,712,611</u>	<u>35,292,005</u>
Cash and cash equivalents 30 June	6,710,186	38,758,301

The notes on pages 21 to 28 are an integral part of these condensed consolidated financial statements.

Notes to the condensed consolidated financial statements

All amounts are indicated in RON, unless otherwise stated

1. General information

Identification data

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

J40/12328/2005
Trade Register No

17777754
Sole Registration Code

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

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

- The Regulated Market where financial instruments such as shares and rights issued by international and Romanian entities, debt instruments (corporate, municipality and government bonds issued by Romanian entities and international corporate bonds), UCITs (shares and fund units), structured products, tradable UCITS (ETFs) are traded;
- SMT/AeRO Market, designed for start-ups and SMEs, launched on 25 February 2015; separate sections of the alternative trading system are available for trading foreign stocks listed on other markets.

Main activity

Administration of financial
markets
CAEN code 6611

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

Share tickers

BVB
BVB.RO (Bloomberg)
BBG000BBWMN3 (Bloomberg
BBGID)
ROBVB.BX (Reuters)
ROBVBAACNOR0 (ISIN)

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

In accordance with the provisions of article 136 paragraph 5 of Law no. 126/2018 on financial instruments, no shareholder of a market operator can hold, directly or indirectly, more than 20% of the total voting rights. At the end of June 2020, there were no shareholders holding stakes exceeding this threshold.

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

Subsidiaries

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

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

The consolidated financial statements of BVB for the six months period ended 30 June 2020 include the financial information of the Company and its subsidiaries, except for the Corporate Governance Institute, an entity considered by BVB management as insignificant for inclusion in the Group's consolidated financial statements and reports.

2. Basis of preparation

The interim condensed consolidated financial statements for the six-month period ended 30 June 2020 have been prepared in accordance with IAS 34, 'Interim financial reporting'. They do not include all the information required for a complete set of financial statements prepared in accordance with International Financial Reporting Standards. These interim condensed consolidated financial statements should be read in conjunction with the annual consolidated financial statements for the year ended 31 December 2019, which have been prepared in accordance with IFRSs.

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

3. Accounting policies

The accounting policies and methods of computation followed in these condensed consolidated financial statements are consistent with those used in the most recent annual financial statements, prepared for the year ended 31 December 2019.

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

4. Estimates

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

In preparing these condensed interim financial statements, the significant judgments made by management in applying the company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual standalone financial statements for the year ended 31 December 2019.

5. Financial risk management and financial instruments

5.1 Financial risk factors

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

The consolidated condensed preliminary financial statements do not include all financial risk management information and disclosures required in the annual financial statements; they should be read in conjunction with the company's annual financial statements as at 31 December 2019.

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

5.2 Liquidity risk

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

5.3 Fair value estimation

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

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

During the reporting period there have been no significant changes in carrying amounts and fair values of the main categories of assets and liabilities, as compared to 31 December 2019.

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

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

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

6. Segment reporting

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

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

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

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

The Group's revenues, expenses and operating profit for the first half of 2020 are shown below, by segment:

1H 2020	Trading services	Post-trading services	Registry services	FCI services and other services	Group
Revenues from clients outside the Group	11,310,850	5,145,609	2,631,524	492,592	19,580,574
Revenues from intra-group transactions*	1,126,450	36,084	21,674	-	1,184,208
Operating expenses	(8,128,655)	(4,560,350)	(2,316,679)	(1,038,381)	(16,044,065)
- out of which Personnel expenses and Director's fees	(4,531,116)	(2,470,555)	(1,253,851)	(516,936)	(8,772,458)
Operating profit	3,182,195	585,259	314,845	(545,789)	3,536,509
Net financial income /(expenses)	759,890	193,390	89,035	534,824	1,577,139
Pre-tax profit	3,942,085	778,649	403,881	(10,966)	5,113,648
Corporate income tax	(752,452)	(80,607)	(41,425)	-	(874,484)
Net profit	3,189,633	698,042	362,455	(10,966)	4,239,164

* eliminated on consolidation

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

1H 2019	Trading services	Post-trading services	Registry services	FCI services and other services	Group
Revenues from clients outside the Group	10,163,654	4,900,147	2,330,714	347,387	17,741,902
Revenues from intra-group transactions*	160,000	38,141	18,141	-	216,282
Operating expenses	(8,405,075)	(4,312,954)	(2,051,421)	(406,780)	(15,176,230)
- out of which Personnel expenses and Director's fees	<u>(4,409,324)</u>	<u>(2,285,704)</u>	<u>(1,141,652)</u>	<u>(309,898)</u>	<u>(8,146,578)</u>
Operating profit	1,758,579	587,193	279,293	(59,393)	2,565,672
Net financial income /(expenses)	1,649,187	261,066	124,174	8,757	2,043,183
Pre-tax profit	<u>3,463,970</u>	<u>848,258</u>	<u>403,467</u>	<u>(50,636)</u>	<u>4,665,059</u>
Corporate income tax	<u>(637,466)</u>	<u>(107,880)</u>	<u>(51,312)</u>	-	<u>(796,659)</u>
Profit from continuing operations	2,826,504	740,378	352,155	(50,636)	3,868,400
Profit from discontinued operation	-	-	-	-	-
Net profit	<u>2,826,504</u>	<u>740,378</u>	<u>352,155</u>	<u>(50,636)</u>	<u>3,868,400</u>

* eliminated on consolidation

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

1H 2020	Trading services	Post-trading services	Registry services	FCI services	Group
Assets	41,185,541	23,887,348	51,271,215	99,637,241	215,981,344
Liabilities	5,404,439	5,636,335	38,498,919	20,483,416	70,023,109
Capital expenditures	345,730	300,617	150,151	14,812	811,309

1H 2019	Trading services	Post-trading services	Registry services	FCI services	Group
Assets	86,674,845	25,427,392	57,652,347	17,924,291	187,678,876
Liabilities	4,696,357	3,667,813	47,302,584	17,176,574	72,843,327
Capital expenditures	694,679	31,878	15,162	1,398	743,117

7. Operating expenses

The operating expenses include the following:

7.1 Personnel expenses and Director's fees

	1H 2020	1H 2019
Personnel expenses and Director's fees, including contributions and taxes	8,493,359	7,692,206
Estimated expenses for personnel and Director's (SOP & bonuses)	<u>279,099</u>	<u>454,372</u>
Total	8,772,458	8,146,578

7.2 Services provided by third parties

	1H 2020	1H 2019
Business consulting services	569,395	94,000
Financial, IT and internal audit services	225,317	215,360
Commissions & fees (legal, contributions, etc.)	263,712	249,391
Promotion activities of BVB Group	171,615	269,233
Services provided by third parties for business purposes	<u>938,615</u>	<u>916,026</u>
Total	2,168,654	1,744,009

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

7.3 Other operating expenses

	1H 2020	1H 2019
Rent and office utilities	354,421	1,365,211
Tangible asset depreciation	807,704	759,957
Intangible asset amortisation	632,236	579,423
Right of use assets depreciation	994,493	1,760
Costs related to FSA fees and other taxes	551,482	668,488
Consumables	151,678	137,709
IT maintenance and service	964,298	725,025
Insurance for professional equipment, etc.	100,255	119,385
Protocol	84,490	303,668
Marketing and advertising	96,729	112,751
Transport of goods and personnel	95,171	292,669
Post and telecommunications	120,484	137,419
Bank charges	41,182	37,691
Loss from non-paying customers	81,229	188,531
Net expenses/(income) from adjustment of receivables	(27,582)	(332,954)
Other expenses	<u>54,685</u>	<u>188,910</u>
Total	5,102,954	5,285,643

8. Financial income and financial costs

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

	1H 2020	1H 2019
Net Interest income from financial assets	1,649,651	1,491,564
(Net loss)/Net gain from exchange rate differences	54,327	539,922
Interest expense with lease contracts IFRS 16 and other financial expenses	(114,295)	(6,581)
Net expected credit losses (IFRS 9)	<u>(12,543)</u>	<u>18,277</u>
Net financial income	1,577,139	2,043,183

9. Income taxes

The income tax expense is recognized based on the annual income tax rate and calculation methodology for the full financial year. The annual tax rate used for the period ended 30 June 2020 is 16% (the tax rate for the year ended 31 December 2019 was also 16%).

10. Dividends

The General Shareholders' Meeting (GSM) held on April 29, 2020 approved the proposed allocation of the statutory net profit for the year 2019 of the Bucharest Stock Exchange in the amount of RON 6,962,791, as follows: the amount of RON 403,334 for the legal reserve and the remaining amount in the form of the gross dividends. Thus, the amount to be distributed in 2020 in the form of gross dividends for 2019 is RON 6,559,457. The payment date set by the GSM was 5 June 2020.

The General Shareholders Meeting of the Central Depository held on 27 May 2020 approved the distribution of the company's statutory net profit for 2019, amounting to RON 1,590,835, as follows: RON 90,420 as legal reserve and RON 1,500,415 as dividends.

11. Share capital

As at 30 June 2020, BVB had a share capital amounting to RON 80,492,460 divided into 8,049,246 shares with a nominal value of RON 10/share, dematerialized, with the same voting rights, divided into the following categories:

	Number of shares	% of the share capital
Legal entities, of which:	<u>6,489,593</u>	<u>80.62%</u>
Romanian	5,921,445	73.57%
Foreign	568,148	7.06%
Individuals, of which:	<u>1,505,036</u>	<u>18.70%</u>
Romanian	1,347,113	16.74%
Foreign	157,923	1.96%
Bucharest Stock Exchange	54,617	0.68%
Total	<u>8,049,246</u>	<u>100.00%</u>

In accordance with the provisions of the article 136, paragraph 5 of law no. 1226/2018 on financial instruments, a shareholder of a market operator cannot own directly or indirectly more than 20% of the total voting rights. As at 30 June 2020, there were no shareholders holding stakes exceeding this threshold.

Starting with March 18, 2020, BVB started the share buy-back program in a total amount of maximum RON 2,112,915, a value that was included in the Budget and the Business plan of 2019 to be allocated to this program in 2019 and 2020, in the terms and conditions approved by the Decision of the Extraordinary General Meeting of Shareholders (EGMS) no. 1 of April 24, 2019. In total, during the first half of 2020, a number of 60,369 shares were redeemed, amounting to RON 1,389,119.

12. Subsequent events

Cassa di Compensazione e Garanzia (CC&G), a leading provider of post trade services, and part of London Stock Exchange Group (LSEG), today announces it has signed a contract to provide CCP.RO BUCHAREST S.A., part of Bucharest Stock Exchange (BVB) Group, with consultancy and technological support to clearing and risk management services that will be managed by CCP.RO BUCHAREST S.A. for all asset classes traded in the Romanian market. CCP.RO BUCHAREST S.A. is establishing a central counterparty clearinghouse (CCP) for Romanian markets.

Statement of persons responsible

The statement herein concerns the extent to which the consolidated financial report of Bursa de Valori Bucuresti SA, prepared on 30 June 2020, contains an accurate presentation of all significant matters related to the consolidated financial position as of 30 June 2020, and of the results of its operations concluded on this date according to the accounting standards required by Romanian legal framework, namely the Accounting Law no. 82/1991, republished, and the Rule of the Financial Supervisory Authority no. 39/2015, for the approval of accounting regulations compliant with the International Financial Reporting Standards, applicable to entities regulated, authorized and/or supervised by the ASF, from the Financial Instruments and Investments Sector.

We undertake responsibility for the accurate presentation of the financial reports according to the above mentioned lawful regulations. We confirm with full knowledge of the facts that the half-yearly financial and accounting report was drawn up according to the Accounting Regulations in compliance with the International Financial Reporting Standards, the accountancy policies used observing the same and providing an accurate and true to reality image of the assets, liabilities, financial position, profit and loss account and that the report of the Board of Governors includes an accurate analysis of the company development and performance, as well as a description of the main risks and uncertainties specific to the activity carried out.

President,
Lucian Anghel

CEO,
Adrian Tănase

CFO,
Virgil Stroia

Contact us

Investor Relations contact information

Tel: (+40)(21) 307 95 00
 Fax: : (+40)(21) 307 95 19
 Email: ir@bvb.ro

Financial reports availability

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

Earnings conference calls

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

Upcoming corporate events

12 Nov 2020

Release of the Quarterly report for the 3rd Quarter of 2020 & conference call

Find out more about the Bucharest Stock Exchange



Corporate website www.bvb.ro

Follow us on    



Mobile apps for smartphones and tablets

BVB app



BVB Trading app

