

Letter from the Chairman

Dear Shareholder,

It is a pleasure to present to you the Financial Statements and Management Report for 2007, the first full year since the listing of BME, and to summarise what has been an especially positive year for Bolsas y Mercados Españoles (BME).

BME has comfortably met its objectives, achieving a net profit of €201.1 million, 54.1% more than in 2006. Since 2004 net profit has grown at a CAGR of 39.7%, reflecting the remarkable trajectory of the company's financial results.

The strong results in 2007 were underpinned by the high levels of robustness and efficiency achieved by BME. The efficiency ratio improved from 33.5% in December 2006 to 25.6% at 31 December 2007.

These ratios confirm BME's status as a global sector leader with one of the world's most solvent and competitive market management models.

BME's strategy is, and will remain, to pass on to its shareholders all the progress made in management efficiency, which is reflected in its outstanding financial results. EPS jumped to €2.41 in 2007 from €1.56 in 2006.

The dividend pay-out in 2006 was 77% and could rise to 82% if the final dividend proposed to the General Shareholders' Meeting is approved. This would be one of the highest pay-outs in the sector along with the dividend paid by the Hong Kong SE.

The trading volume on the Spanish stock market stood at €1.7 trillion, 45% higher than in 2006 and double the figure traded in 2005. In addition to equities, all the markets managed by BME - futures and options, warrants and certificates and corporate debt - reported record trading volumes.

The Spanish securities market channelled €10.559 billion of investment flows via IPOs, second only to London in Europe. If we add other equity mechanisms, such as capital increases, BME ranks only second in the world behind NYSE in terms of corporate financing with a figure of US\$119.74 billion.

This robust growth reinforces BME's position as the fourth largest stock exchange in Europe and makes it, in terms of size and liquidity, an indispensable resource for the channelling of savings, the growth of listed companies and, in short, the creation of wealth.



The European directive on financial initiatives (MiFID) came into force in November 2007 and initial experience would appear to confirm that it has only proved beneficial for BME. We are working on the new opportunities for participants in the Spanish market whom we will offer a broad range of new services, some of which are already available and which will enable them to compete internationally. BME's efficiency and competitiveness, along with the liquidity of its stocks, are reasons to be optimistic that MiFID will provide new business opportunities.

BME also further strengthened its commitment to Latin America in 2007. Our investments in the region are highly strategic, with medium- and long-term objectives, in an area which offers very attractive investment opportunities. All BME's specific operations in recent years have been carried out in accordance with a carefully planned and defined strategy and the company is already reaping the benefits of the close relationships forged with the region's markets.

BME's dynamic and profitable management capacity bolsters the initiatives and projects that the Spanish stock market is constantly develop-

ping, based on outstanding human capital and leading-edge technology. The new services and products that we are presenting to the industry and financial community are backed by our long and positive experience in the management of equity markets and are efficient and profitable from the outset.

Based on these concepts, we are working to ensure that all interests work in harmony, through a management model designed to create value while acting in the general interest of society and investors.

Antonio J. Zoido