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Dear shareholders,

As Chairman of the Board of Bolsas y Mercados Españoles (BME), I am pleased to present our Management Report and Consolidated Financial Statements.

An exceptionally challenging 2012

2012 was the fifth year of the world economic crisis, a period during which significant damage was inflicted with dramatic consequences for economies around the globe. It has been a challenging period, involving a wide range of crises and a squeeze on credit that lingers on.

The reforms enacted by the Government, combined with Europe's unanimous stance in favour of the Euro and the roll-out of a number of economic measures, helped stabilise the markets somewhat. In the case of Spain's sovereign debt and the Spanish stock market, the messages of the European Central Bank's President have undoubtedly led to inflection.

The Spanish stock market ended 2012 down 5%. The risk premium remained a drag on the economy, although it fell from the high it had reached.

Over the past five years, Spanish listed companies have shed €400 billion of their market value. Spain's country risk has weighed heavily on listed companies, even though many are international leaders in their sectors. One of every four companies listed on the Spanish stock market generate 75% of their turnover abroad.

Results are satisfactory despite the backdrop

The company's results can be considered satisfactory despite the challenging backdrop. BME's net profit in 2012 stood at 135.5 million euros, 12.7% less than in 2011. Full-year revenue amounted to 296.2 million euros, down 7.8% year-on-year.

Operating costs in 2012 advanced by just 0.6% compared with 2011 to 98.9 million euros. This is significantly lower than the annual inflation rate.

A decline in trading volumes

Prevailing uncertainty has also impacted trading volumes. Trades on the Spanish stock market fell by 11% in 2012 while cash trading declined by 24.5%. This drop was partly due to the ban on short selling, which was limited to financial stocks between January and February and extended to the entire market from July to February 2013.

The ban on short selling of all listed stocks also contributed to the decline in the volume of equity securities and derivatives traded, leading to a decrease in order-book liquidity, and a knock-on effect of greater bid-ask spreads and higher implicit transaction costs for investors.

The slump in trading on the Spanish stock market was mirrored across the board. Turnover also dropped last year by 24% on the German stock market, 21% on the Euronext index and 25% on the New York stock exchange.

Interest in private Fixed-Income securities was unwavering during 2012, with over 2.6 trillion trades. The SEND platform for trading issues performed outstandingly, growing ten-fold in 2012, both in terms of turnover and the number of trades performed.

A total of 67.2 million trades were completed on the Futures and Options market, practically unchanged year-on-year. The growth in index-linked options was particularly pronounced, standing at 91%.

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Indicators compare favourably with those of rivals

The key management performance indicators compare favourably with the sector average. The efficiency ratio was 33.4% in 2012, 13 points better than the sector average.

Full-year ROE was 32%, over 18 points higher than the sector average.

Technological diversification and innovation

This year saw BME successfully revamp its electronic trading platform (SIBE) which unifies into a single system the trading of shares, ETFs, warrants and other investment products. The new SIBE multiplies trading capacity and offers the market considerable growth potential sufficient to meet its current and future needs in terms of both the number of trades and trading volume.

In the Fixed Income sphere, the strong performance of SEND demonstrates BME's far-sightedness two years ago in creating this Fixed Income platform for private investors with the aim of improving transparency and liquidity in the Spanish Corporate Debt market. This year Public Debt will also be traded on this platform.

Following the completion of the process to consolidate all information sources during 2012, all BME Market Data users can, from this year on, receive all the information generated by the BME Group's systems and markets in real time, through a single connection and in the same format.

In order to meet investors' needs and bring the way in which the Spanish derivatives market operates into line with the rest of the world, this year the hours for trading IBEX 35-linked futures on the MEFF were extended. Futures contracts on the Spanish 10-year notional bond were also launched on MEFF in 2012, which can be used as hedging instruments and offer new opportunities when implementing strategies and trading.

The Spanish stock market - world leader in channelling new investment flows

The Spanish stock market has been considerably buoyed by capital increases. Along with London, the Spanish market leads the way in Europe in financing companies via capital increases. BME received an avalanche of new issues, totalling around 29 billion euros, and the Spanish market now ranks second in Europe and sixth worldwide in terms of new investment flows channelled.

Dividend maintained

BME has maintained a very solid dividend payout and this year will submit to the General Shareholders' Meeting the distribution of the same level of shareholder remuneration as in 2011, the highest in the market operators sector.

This shareholder remuneration policy is based on a number of factors, including operating gearing. In other words, revenues not linked to trading volumes amply cover the company's costs, an extremely favourable situation. The coverage ratio was 118% at year end, an improvement of six points compared with the ratio of 112% at the end of 2011, and remains comfortably higher than the sector average.

Towards a funding model based on more capital and less debt

The volume of Debt in the system must be reduced, and the crisis has demonstrated that an excessive reliance on credit does not support growth. Measures are needed to construct a financing model that promotes a lower level of leverage.

Finding ways of stimulating job creation has become a priority. New funding methods that complement traditional bank credit must be found to finance small- and medium-sized enterprises, which are the main creators of employment around the world. Regulated markets stand out as offering one of the most compelling alternatives to achieve this objective.

The MAB requires tax incentives to attract investors. Small- and medium-sized enterprises are smaller and have lower levels of liquidity than other listed corporations, so boosting the viability of funding such entities is essential. The creation of investment funds or vehicles specialising in this type of enterprise would also contribute to promoting investments.

Initiatives in this sphere include the creation of an Alternative Fixed Income Market (MARF) for SMEs, reflecting the government's desire to promote new funding methods that complement traditional bank credit.

Small- and medium-sized companies in Spain are too small. A major step in making improvements to these enterprises' financing structure is to restructure the size of these businesses.

Stock markets have a crucial role to play in weathering the crisis. Therefore, it could be counterproductive to impede this mechanism for cleaning up and bolstering economies. The creation of new taxes or restrictions on trades could impact negatively on the cost of capital, precisely at a time when this capital is needed by companies to finance themselves. Equally, it could even discourage investors from investing in share capital.

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The worst forecasts of a reduction in trading and the displacement of investments towards unregulated instruments are fulfilled in the case of the Financial Transaction Tax being debated in Europe, for example. We hope that the authorities reflect on whether it is opportune and advisable to introduce this tax, given that its consequences would be very serious. Trading volumes and market liquidity would be prejudiced if this tax were introduced. It would also be difficult to apply this tax across the board, which would nonetheless be a requisite for ensuring it is neutral and does not distort the market. Equally, the final outcome in this case could be an increase in the cost of capital and, ultimately, a reduction in investment and the diversion of funds to other financial centres. The cost savings for issuers and investors that it was intended MiFID would bring about to stimulate competition, would be offset by higher transaction costs.

That said, the opportunities presented by the markets must not be wasted. We must continue to work under these parameters, and with conviction, because there remains much to do. Confidence will only be restored through markets that are liquid, transparent and well-regulated: the pillars on which organised markets have historically been built within a serious and credible institutional framework.

Companies are endeavouring to find new sources of market-based funding, and the markets must satisfy this demand by offering the highest possible levels of transparency, robustness and liquidity. We are faced with a major business, institutional, regulatory and legal challenge.

We should heed the lessons the crisis is teaching us. Five years of difficulties should give way to a firm commitment by everyone to restore the confidence so desperately needed.

Antonio J. Zoido