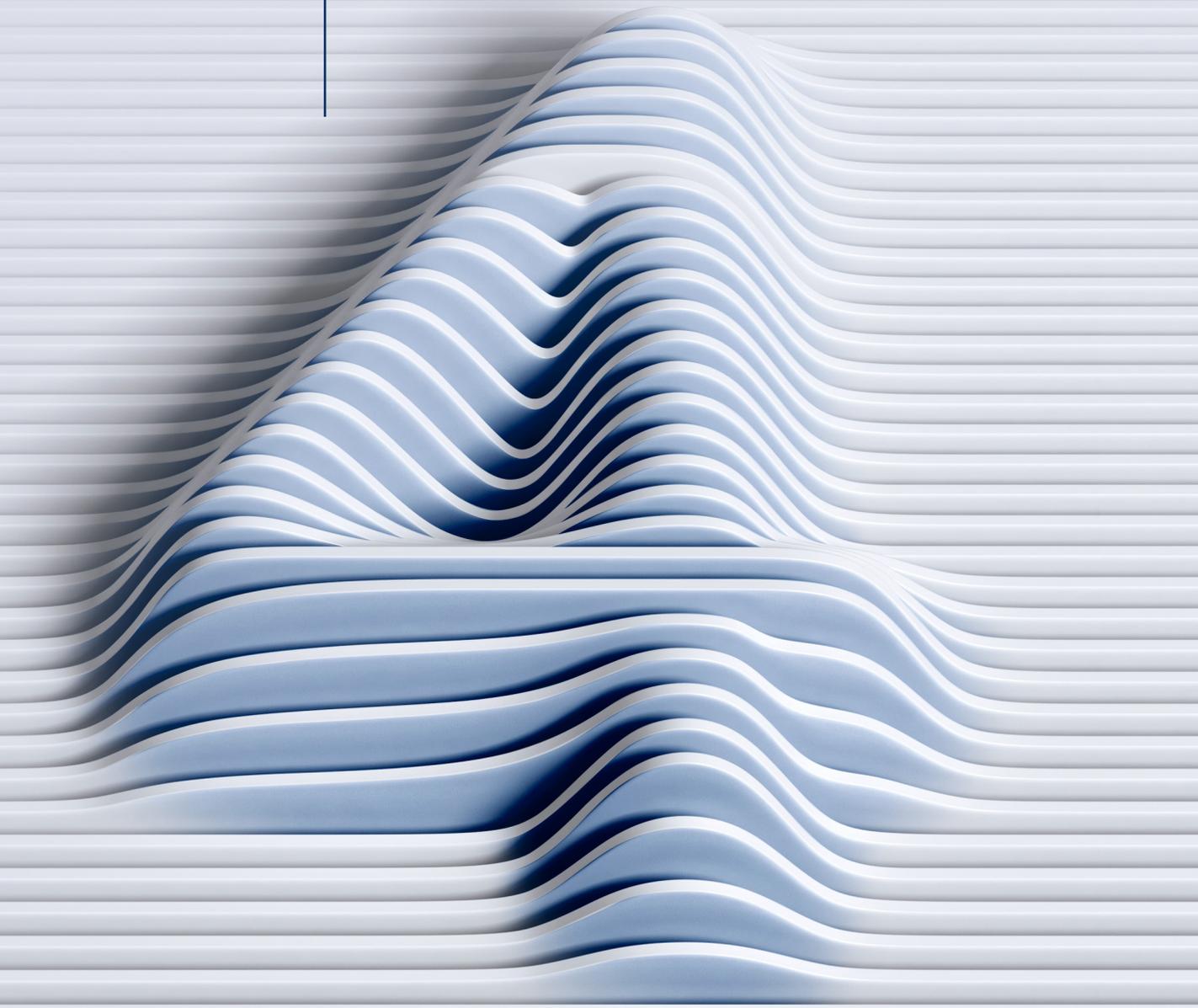


FINANCING





2011
The market provides
37 bn. in financing to
companies

2013
The Mercado Alternativo
de Renta Fija (MARF)
is created



The new investment and financing flows channelled in 2016 by the Spanish Stock Exchange amounted to almost €28.58 billion. A relevant figure, high without a doubt, although lower than that of the excellent year 2015. Shortage of IPOs and good performance of the capital increases with special emphasis and growth of the smaller companies.

During 2016, the climate of mistrust provoked by the international geopolitical situation and the abnormal financial market situation with very prolonged negative interest rates marked the pace of international financial markets. This environment of uncertainty led to a significant reduction in the volume of financing flows channelled globally by securities markets through capital increases and public listing, especially in the second half of the year. However, the position of the Spanish Stock Exchange in this chapter becomes relevant in the international arena once again in 2016.

In this complex context in 2016, the investment and financing flows raised by companies trading on the Spanish Stock Exchange during the year have nevertheless been high, although lower than in 2015: €28.58 billion, down 31.3%.

In the detailed analysis of these flows, we found that those corresponding to public listing in 2016 have scarcely been 4% of total flows after falling by 83% compared to 2015. The new resources raised by capital increases by companies already listed have also declined in the year but to a much lower degree. The new flows channelled from increases in 2016 amounted to €23.15 billion, 22% lower than those recorded in 2015. However, the downward trend in flows raised through increases in 2016 was alleviated in the last five months of 2016, from a 32% drop in flows registered in July, to -22% with which the year ended.



Clerph joins MAB . Opening Ceremony Bell

Standstill of public listing through IPOs

As mentioned, the business financing processes using public listing as a resource are the ones that have declined the most in 2016. After the decision of the British to leave the European Union (Brexit) and the Republican turnaround of the United States Government, distrust regarding the future has been present in the minds of financial decision makers and investors throughout the year, and has significantly affected the public listing activity. Volatility rebounded on

average in relation to 2015 with very high peaks and several companies cancelled their debut on the trading floor as a result of unfavourable market conditions. The global public listing activity was reduced in 2016 by 16.1% in number of transactions and 32.8% in volumes raised, compared to 2015.

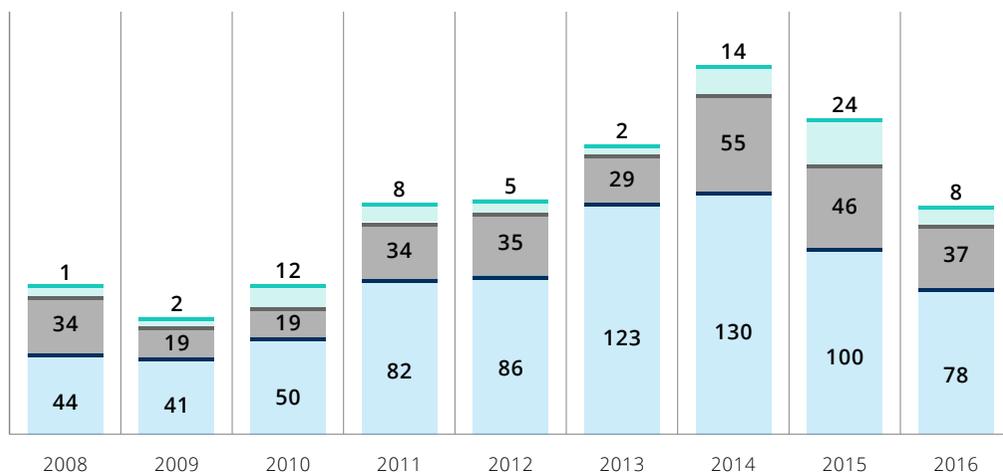
However, despite the global contraction in the IPO market, the Spanish Stock Exchange continued to maintain a relatively strong position in the international arena, especially in the second quarter of the

year (Telepizza, Parques Reunidos and Dominión). According to the annual 'EY Global IPO Trends 2016' report, the IPO of Parques Reunidos ranked as one of the top 10 IPOs of the year in Europe.

In 2016, 27 companies were listed on the Spanish Stock Exchange, and the funds raised by these transactions amounted to €1.42 billion (listed IPOs). Of these 27 companies, four were listed on the Stock Exchange through two IPOs, three Public Offerings of New Shares and one listing (admission) with an

amount of €1.40 billion to which the 23 Alternative Stock Market (MAB) public listings must be added, with an amount raised of €21.3 million. In the MAB, 17 companies went out in the REITs segment through a listing and six in the growth companies segment, through five Public Offerings of New Shares and an Initial Public Offering (IPO) through which they raised €21.3 million.

NO. OF COMPANIES FINANCED THROUGH THE MARKET



Capital increases main market Capital increases MAB IPO/PSO/LISTING

Source: BME



Workshop on "Europe's untapped Capital Markets"

STRUCTURAL CHANGES IN BUSINESS FINANCING

The non-financial sector restores its balance sheets

After the deep crisis that had a very strong impact on the financing of the Spanish business network, data from recent years clearly shows that the non-financial IBEX 35 companies are following the financial restructuring strategy recommended by the majority of international financial agencies: more capital and less dependence on the banking channel in its financing in favour of a greater weight of tradable debt instruments in its overall structure of raising borrowed resources.

According to an analysis prepared by the BME Research Department from the audited accounts of a homogeneous group of non-financial IBEX35 companies, between 2010 and 2015, the own resources of this group increased by 15.4%; its bank indebtedness fell 39.8% and its indebtedness in the form of Fixed-Income issues increased by 22.9%.

NET EQUITY OF NON-FINANCIAL IBEX 35 COMPANIES

(EUR million at the end of 2010 and 2015)

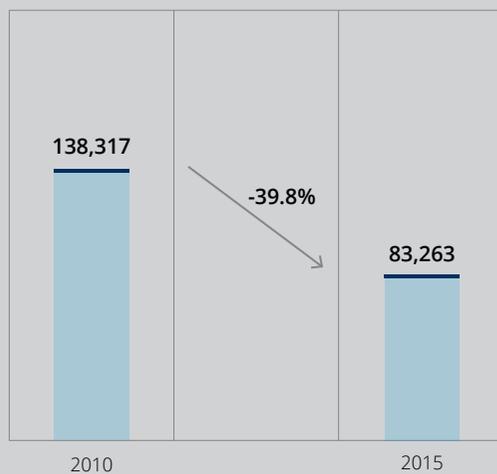


Source: BME Research Department*

(*) Calculated for a homogeneous group of 23 IBEX 35 companies in 2010, 2014 and 2015 of those that have been able to disaggregate data

BANK FINANCING TOTAL NON-FINANCIAL IBEX 35 COMPANIES

(Debt with credit institutions in EUR million at the end of 2010 and 2015)



The sum total of the non-financial listed group's own resources amounted to slightly more than €151 billion in 2010, while in the audited accounts for 2015 it rose to €175 billion. The strengthening of own funding in the form of capital has been favoured not only for the retained profit, but also recourse to the stock market in the form of capital increases. For the stock market as a whole, between 2012 and 2015, capital increase volumes were maintained close to €30 billion in cash value. The group of non-financial companies that remained in the IBEX 35 in 2010 and 2015 maintained an upward trend to almost €7.1 billion raised in 2015. This is reflected in the attached graph.

Fixed-Income financing at the end of 2015 in the group of non-financial IBEX 35 companies reached €115 billion, far exceeding the €83 billion that the same group of companies had in short- and long-term bank loans.

Further information can be found by consulting the report available in the 'Research and Publications' section of the BME website entitled "Large non-financial listed companies consolidate the structural change in their financing".



Coca-Cola se incorpora a la Bolsa

Source: BME Research Department*

(*) Calculated for a homogeneous group of 23 IBEX 35 companies in 2010, 2014 and 2015 of those that have been able to disaggregate data

Good records in capital increases

As we have seen in the discussion of financing flows channelled through the Stock Exchange, despite the lack of tension noted in the area of new companies obtaining financing when coming onto the market for the first time, capital increases made by the already listed companies have been large. In 2016, the subject of business financing with capital through the markets became prominent again. During 2016 there were 123 such transactions with which the Spanish Stock Exchange served to provide financing to listed companies for €23.15 billion, 22% less than in 2015. However, it should be noted here that 2015 was the second best year of the century in financing through capital increases. Of the 123 capital increase operations carried out in 2016, 81 were carried out in the Main Market through which the listed companies

in this segment of the Spanish Stock Exchange obtained resources amounting to €20.41 billion. Capital increases with pre-emptive subscription rights with funds raised of €12.81 billion represent 65% of all raised in the main market. Of this amount, the increases for dividend payments under the option dividend, which continue to lose weight within the total volume reached €6.22 billion. Since last year, there has been a gradual decrease in the capital increases for meeting dividend payments and an increase in those targeted towards corporate growth and investment transactions.

Among the transactions carried out, the Banco Popular Español one for €2.50 billion stood out.



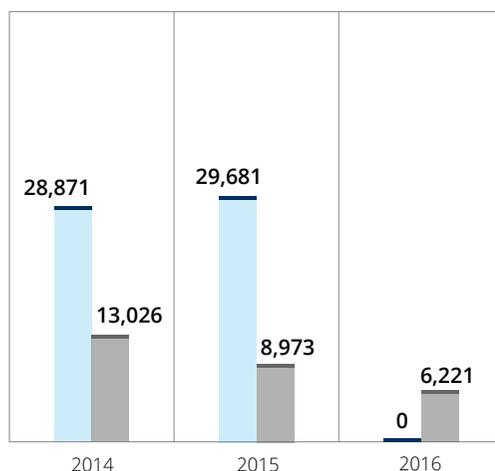
Parques Reunidos Opening Ceremony Bell

Heavy activity in the MAB

In the growth companies, REITs and SICAVs segments of the MAB, 42 capital increase transactions were completed that generated €2.74 billion, 79% more than in 2015. For companies in the growth companies segment, note that these companies have more than doubled the resources obtained through capital increase transactions in the market, from the €107 million raised in 2015 to €219 million achieved in 2016.

Companies in the SICAV segment carried out 15 capital increase transactions, which generated €2.46 billion. The number of capital increases carried out by the SICAVs reduced compared to 2015 in the same line that reduced the number of these companies in the market. However, the average volume of transactions carried out was considerably higher than in 2015, which has meant that the resources obtained in 2016 doubled the amount raised in 2015. One reason for the decline in the number of transactions as well as the reduction in the number of companies in this segment could be due to political instability and the constant allusions made by the different political parties to make changes in the tax regime of these companies. Finally, mention should be made of two capital increase transactions in the REITs segment amounting to €63 million.

VOLUME OF CAPITAL INCREASES ON MAB



(*) Includes the capital increases related to public subscription offerings (PSOs)

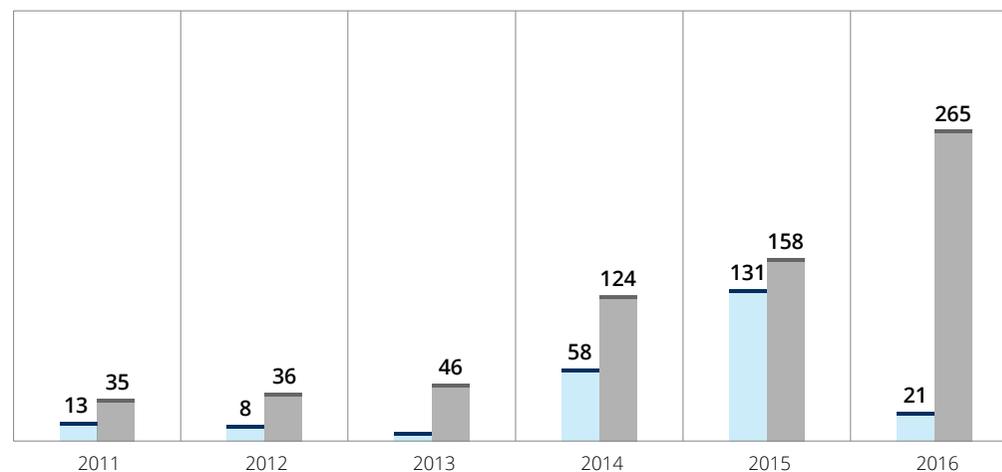


JABA becomes listed on MAB market



Atrys Health becomes listed on MAB market

CASH RAISED THROUGH CAPITAL INCREASES ON MAB (EX-SICAVS). (EUR Millions)



Capital increases with public listing Subsequent capital increases

Source: BME