



**BOLSAS Y MERCADOS ESPAÑOLES, SOCIEDAD HOLDING DE
MERCADOS Y SISTEMAS FINANCIEROS, S.A.**

ORDINARY GENERAL SHAREHOLDERS' MEETING

Madrid, 27 April 2017

General Manager's Report

Mr. Javier HERNANI

Thank you Mr. Chairman,

Ladies and gentlemen, I will focus my speech on the first-quarter 2017 results, which were published this morning and that we have just presented to analysts and investors in the usual quarterly conference call.

The first thing to note is that the €39.3 million obtained in net profit is in line with the market consensus of those analysts who cover the share.

The figure is similar to that of the last quarter of 2016 and is 8.3% down on the first quarter of last year. Stripping out the effect of the integration of the Infobolsa group, the comparison is improved (-4.3%).

The cumulative EBITDA at the end of the quarter totalled €53.8 million, down 2.9% year-on-year.

The financial management ratios, ROE and efficiency, stood at 35.5% and 34%, respectively, at the end of the first quarter, compared to 37.8% and 32.2% a year earlier. The difference with the sector average is more than 19 points for ROE, and 8 points for efficiency, showing levels of strength in both indicators, keeping BME as the sector benchmark in terms of yield and cost management discipline. In addition, the ratio which compares revenue not linked to volumes with the cost base, closed the first quarter of this year five points higher than in the first quarter of last year, ending the period with 124% of the cost base covered by this type of revenue.

As the Chairman has already told you, from an organisational standpoint, BME has decided to restructure the resources, departments and companies of the Information and IT & Consulting business units, grouping the company's various activities related to market data and value added services in the fields of technology, regulation and innovation, according to their nature. The purpose of these changes is to improve efficiency and foster diversification within the Group. As a response to this organisational change, the Market Data & Value Added Services business unit has been created, which combines these activities under the same management.

In relation to the performance and results of the various different business units, the most notable events in the first quarter were as follows:

Equities

The total amount of investment flows channelled through the exchange for the quarter totalled €9.4 billion, 190% higher than in the same period in 2016. BME has been the most active European market in the first quarter in terms of the effective value of IPOs.

The joint capitalisation of newly admitted companies was €7.5 billion, making BME the second-biggest international market by volume of IPOs and the most active European market in terms of the effective value of IPOs in the first quarter of 2017.

The overall capitalisation of companies admitted to trading on markets managed by BME, at 31 March 2017, reached €1.14 trillion, 24.3% higher than the previous year. The increase in the capitalisation value of the equity market is vital for the development of the business and the companies' income.

The trading volume in the first quarter totalled €160 billion, down 19% on the same period the previous year but up 14.5% on the previous quarter, thus consolidating an upward trend

The business unit obtained net revenue in the first quarter of €37.7 million, up 2.9% on the same period in 2016.

€31.9 million of this net revenue was generated through the trading of equity financial instruments, exceeding that obtained the previous year by 1.3%. The unit's net revenue from listing activity and other services increased by 12.4%, reaching €5.8 million. As a result, 15.4% of the net revenue of the unit for the quarter came from listing activity and 84.6% was generated through the trading of equity products.

Fixed Income

The Spanish Mercado Alternativo de Renta Fija (MARF) ended the quarter with an issued volume of €883 million, a year-on-year rise of 83%, and with an outstanding balance of €2 billion, 51.5% higher than at 31 March 2016.

Trading in Public Debt throughout the quarter totalled €49.7 billion, representing an increase of 41% compared to the same period in 2016.

Fixed Income trading has maintained the same pattern of previous quarters, with a growing volume of Public Debt and a drop in Corporate Debt volumes. The growing balance of Public Debt in circulation is driving its trading volumes, so much so that Private Debt has suffered from the enormous liquidity in the system and the lack of mobility of institutional portfolios, which have yields greater than those for repositioning and which maintain their positions until maturity.

The volume admitted to trading of Fixed Income in the first quarter of 2017 stood at €112.4 billion, down 6.3% compared to the same period in 2016. Sovereign debt issue volumes were €65.4 billion, down 1.8%, whereas Private Fixed income issues totalled €46 billion (-12.8%).

The unit's net revenue totalled €2.3 million in the first quarter, down 0.5% on 2016.

Derivatives

The total volume of financial derivatives contracts traded in the first quarter of 2017 was 10% lower than in same period of the previous year.

Trading has been lower than the previous year for both indexes and shares, but with better trading in equity derivatives than in index derivatives. This performance is in line with the changes experienced in trading volumes on the major European domestic indexes.

Net revenue for the quarter totalled €2.5 million; a year-on-year fall of 16.8%.

Open interest in financial derivatives was down 1.1%, although the most significant contracts have performed more positively. Open interest in IBEX 35® Futures increased 18.4%, Mini Futures by 49.1% and Equity Options by 2.6%.

Clearing

The results of the Clearing and of the Settlement and Registration business units have been impacted by the start of post-trade Reform in May last year. In essence, new revenue is generated in Clearing resulting from the new clearing activity for equity trading, whilst there is a fall in revenue in Settlement and Registration from the effect of this clearing or netting of transactions.

The Clearing unit posted net revenues in the first quarter totalling €6.7 million, a year-on-year increase of 67.2%, driven by the inclusion of the CCP for equities that forms part of the Reform of the Securities Clearing and Settlement System.

Settlement and Registration

Net revenue generated by the Settlement unit amounted to €15.8 million in the first quarter of 2017, a 17.9% year-on-year decline compared to the previous year.

A total of 2.9 million trades were settled during the first quarter of 2017, representing a drop of 0.3% compared to the previous quarter, and 75.4% compared to the same quarter of the previous year. In the first quarter of the previous year, the Reform of the Securities Clearing, Settlement and Registration System had yet to come into force. With its launch, the number of trades settled has dropped substantially due to the netting process that the Clearing House carries out, which is compensated for by the revenues from the clearing of trades.

Net revenue received from the provision of miscellaneous services to participants and issuers increased 55.7% in the quarter, to stand at €3.3 million.

Market Data & Value Added Services

As I mentioned earlier, with the restructuring of the market data and value added services activities, the Information and IT & Consulting business units have merged as one single new unit, known as the “Market Data & Value Added Services”, reorganising its activities and as a result the financial information.

Net revenue generated by the unit amounted to €15.3 million in the first quarter of this year, a rise of 6.6% year-on-year.

Revenue from primary data services fell 2.5%, year-on-year, to €10 million. Record numbers of both total clients and directly connected clients were achieved. At the end of the first quarter, the average number of end-user subscribers of data services rose 7.3% on the previous quarter, though it was 6.4% down in year-on-year terms.

The revenue corresponding to Value Added Services totalled €5.2 million, 29.3% up on the previous year. Here the main efforts have been directed at developing hosting and

financial data services, BME Regulatory Services and portfolio advice and management tools.

BME share price performance

The positive performance of both the BME share price and the entire IBEX 35 index, which began in the last quarter of 2016, has continued into 2017. The BME stock experienced an increase from €28 at the close of last year to €32/33 posted recently, a gain of 17%.

Dividends

Finally, and as the Chairman has already said, one of the resolutions the Board has proposed to this General Shareholders' Meeting is the distribution of a gross final dividend of €0.80 per share.

This will be paid out on 5 May 2017 to shareholders entered in the Shareholder Register on 4 May 2017 (record date). The ex-dividend trading date (ex-date) will be 3 May 2017.

Thank you very much for your attention.