



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

ANNUAL GENERAL SHAREHOLDERS MEETING

Madrid, 25 April 2019

Address by the Chief Executive Officer

Javier HERNANI

Thank you, Mr. Chairman.

Good morning, ladies and gentlemen. As always, it is a pleasure to welcome you to the floor of our Stock Exchange.

Let me begin my address by outlining some key financial figures for last year, in which the Company posted solid results despite having to contend with a complex and testing environment. I will then move on to share with you the main figures for the first quarter of this year, which have been released today. Lastly, I will conclude with a few words about our strategic plan, presented last October.

FINANCIAL FIGURES - 2018

Net profit obtained by BME in 2018 came to 136.3 million euros, down 11.1% on the previous year. The Company's total net revenue last year amounted to 304.2 million euros, down 4.9% on 2017.

The distribution of net revenue by business area was as follows:

- Equities: 43.1%
- Market Data and Value-Added Services: 22.2%
- Settlement and Registration: 19.6%
- Clearing: 8.7%
- Derivatives: 3.7%
- Fixed Income: 2.6%

Our results for 2018 were consistent and exceeded the expectations of most analysts, despite weak trading volumes during the year and a number of very worrying regulatory impacts.

Low market volatility, fuelled by an environment of negative interest rates, certainly dampened trading volumes across all markets. Meanwhile, the regulatory impact of our clients having to adapt to MiFID II has prompted a

thorough review of our working methodology, including access to their clients and their services subject to fees, which has also generated a negative change in the volume of transactions.

Our results have also been affected by the uncertainty caused by the government's plans to impose a financial tax on Spanish shares, as mentioned by our Chairman; a measure we believe is wrong and would make Spain less competitive than other European markets.

We witnessed three significant one-off impacts on the financial statements during the year:

- A new interpretation of IFRS 15 - Revenue from contracts with customers, with respect to admission fees, which has led to a change in our accounting policy. More specifically, it has led to a negative adjustment to reserves of 16.9 million euros, a positive adjustment to other liabilities of 22.7 million euros and, in relation to the income statement, a positive adjustment to income of 1.3 million euros and to net profit of 997,000 euros.
- Costs relating to staff turnover measures of 5.4 million euros.
- Impairment of 993,000 euros in connection with cash generation unit Openfinance.

2018 was a year full of challenges, such as the effective implementation of the European MiFID II Directive, services related to this regulation and the consolidation of Target 2 Securities. BME has successfully overcome every one of them, thanks to the hard work of our human team.

One of the most important indicators for BME is the ratio showing its ability to cover its cost base with revenues not directly linked to trading volumes. This key ratio ended last year at 122 of the Company's cost base covered with this type of revenue. Without counting extraordinary items, this ratio would be 128, in line with the level reported a year earlier.

The Group's ROE ended the year at 33.1%, more than 13 points above the industry average, while the efficiency ratio stood at 38.8%. We continue to lead the sector when it comes to management efficiency and profitability.

BME's balance sheet remains strong, showing high levels of solvency; one of the Company's hallmarks.

FIRST QUARTER OF 2019

Let's now turn our attention briefly to the results for the first quarter of the year, which we have just presented.

Net profit obtained by BME in the first quarter of 2019 amounted to 31.6 million euros, down 16.5% on the amount reported in the same period of the previous year.

Net revenue for the quarter came to 71.5 million euros, down 9.3% on the previous year, while operating costs totalled 28.5 million euros, up 0.6% year on year.

These figures confirm the negative trend seen in recent quarters, mainly due to the fact that the equity markets have had to cope with uncertainty regarding the strength of global economic growth, which has tended to push capital towards safer investments.

Similarly, geopolitical factors such as the effects of a possible exit of the United Kingdom from the European Union or the difficulties in hammering out trade agreements between the main economies, are all elements that have done little to create a favourable climate for investing in equities.

SHAREHOLDER REMUNERATION

Ladies and gentlemen, one of our priorities is to maximise our dividend yield, as you all know.

This year, our pay-out, meaning the part of our net profit payable to shareholders, will be 96%. It will therefore remain one of the highest within the sector and indeed across the entire Spanish stock market.

Today we submit for your approval a proposal to distribute a final gross dividend of 0.57 euros per share. If approved, this dividend will be paid to shareholders on 10 May. The ex-dividend date will be 8 May, meaning the deadline for acquiring BME shares that grant the right to receive the dividend will be 7 May.

STRATEGIC PLAN

The Company has responded to this testing and complex environment by launching its 2019-2021 Strategic Plan, which we presented back in October. As you well know, this plan is based on four pillars:

- organic and inorganic growth
- strengthening the business model
- geographic diversification and
- placing the client at the centre of all our actions

We aim to become a one-stop shop for financial institutions, requiring us to provide a full range of infrastructure solutions for our clients. Aside from our trading revenue, our highly diversified sources of revenue have afforded us a more robust business and made us resistant to periods of low trading volumes, such as last year. 2018 was not an easy year, yet we managed to move in the right direction.

Over the three-year horizon of this plan, we aim to raise our net revenue by 4% to between 337 and 347 million euros, while raising net profit by 6% to between 157 and 167 million euros. Costs will see an increase of around 2%. Ambitious objectives for sure, yet realistic and achievable given our capabilities. We are counting, however, on a moderate recovery in market activity if we are to achieve these objectives and we expect trading volumes to rally once the financial climate returns to relative normality.

While BME has resisted this climate and posted high returns, it has been unable to grow. For this reason, BME is now focused on generating new organic and inorganic growth opportunities, as long as they make sense for the Company and provide added value.

Our 4% growth objective envisions organic growth projects, which will be generated on the basis of our corporate structure. In addition, we are exploring a number of prudent acquisitions, though always under the principle of being “the best owner”, on the firm conviction that we are the company best able to manage the asset in conjunction with our other business activities.

Prudence has led us to explore the limits of our current balance sheet, seeking moderate target leverage.

In short, we will continue working to enhance our range of products and services, while remaining close to our clients and listening to their needs. It is essential that we understand what they need if we are to steer our technological development in the right direction and focus our efforts on business lines that generate value for clients and shareholders alike.

We are acutely aware of the paradigm shift brought on by changing regulations and technological progress. We are facing fierce competition from various fronts across the entire value chain. Our clients have also been caught up in this dynamic. Their business models must also evolve and we believe we can do more for them.

The challenge is now to become more competitive, to move closer to our clients in order to anticipate their needs and to become more innovative. Our ability to innovate will be key to understanding the impact of new technologies, to incorporating new forms of work, and to providing the right solutions that leverage our greatest virtues, such as infrastructure, as a neutral and highly efficient service provider. We have done it in the past and we will continue to do so in future. The Strategic Plan is a well thought-out response based on our knowledge of how the market works. Drawn up by our teams, it has been discussed and verified with international experts. It is our response to this new complex and highly competitive reality.

.....

I cannot possibly finish my address without first thanking the Chairman for his executive efforts at the helm of the Company.

Dear Antonio, allow me to briefly highlight some of your greatest achievements over 17 years at the head of BME, and which are plain to see across the entire Spanish stock market.

Our **markets are now much more liquid**: some 28 million orders were processed 17 years ago and look at us now at 410 million. With you at the helm, Antonio, BME has been constantly working to **innovate its own technology solutions**, making us one of the most efficient markets in the world when executing orders and therefore giving investors precisely that liquidity they need.

We have made hugely significant progress in **business financing** over the last few years. Since BME's stock market flotation in 2006, new shares worth 545 billion euros have been placed on the market, ranking us first among the main world markets when it comes to capitalisation.

Foreign investors currently perform 80% of transactions, compared to 58% in 2002. They now own 46% of all shares on the market, and when you became chairman they accounted for 35%. Since then they have been

gradually replacing large traditional investors such as the State and financial institutions.

Since 2003, BME's profits have grown by 132.5% while revenue has gained 73.1%. Meanwhile, the dividend per share has grown by 80.8%. Over these 17 years, BME has paid out 2.5 billion euros in dividends.

Antonio, it has been a pleasure to work by your side and learn from you over the years. I would like to thank you for the trust you have placed in me and in my work from the very outset. Your door has always been open to me and I have always felt and appreciated your constructive support. There's little more that can be said about a good boss. Your hard work and honesty have been admirable. You have always remained faithful and true to the Company and you have always looked after the interests of BME's shareholders and market participants.

I have also learned much from your calm approach, from your good judgment and, above all, from your ability to communicate and listen, which has been key to BME's ongoing success and development. You have always known exactly when to pause and take stock of the situation before continuing on the right track.

Thank you for everything, Antonio.

And thank you, ladies and gentlemen.